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NATIONAL FUEL AND FOOD RELIEF ACT OF 1979 AND FUEL STAMP ACT OF 1979

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

H.R. 5039 and H.R. 5265

SEPTEMBER 19 AND 20, 1979

Serial No. 96-Y

Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE
53-188 O WASHINGTON : 1979

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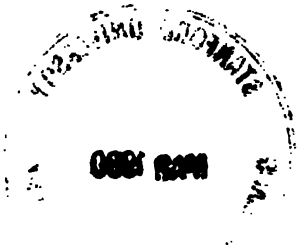

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NATIONAL FUEL AND FOOD RELIEF ACT OF 1979 AND FUEL STAMP ACT OF 1979

WEDNESDAY, SEPTEMBER 19, 1979

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1302, Longworth House Office Building, Hon. Frederick W. Richmond (chairman of the subcommittee) presiding.

Present: Representatives Panetta, Nolan, Glickman, Harkin, Heckler, and Grassley.

Also present: Representative Jeffords of the full committee.

Staff present: John Hogan, counsel; John R. Kramer, special counsel; J. Rebert Franks, associate counsel; Eleanor Walsh, clerk; Anita Brown, Joseph R. Crapa, Mary Jarratt, Glenda Knight, and Bernard Brenner.

OPENING REMARKS OF HON. FREDERICK W. RICHMOND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. RICHMOND. Good morning. This is the hearing of the Domestic Marketing, Consumer Relations, and Nutrition Subcommittee. We will consider H.R. 5265, a bill I introduced entitled the "National Fuel and Food Relief Act of 1979." We will also consider H.R. 5039, introduced by Mr. Sabo, entitled "Fuel Stamp Act of 1979", and related bills.

[The bills, H.R. 5039 and H.R. 5265 follow:]

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96TH CONGRESS
1ST SESSION

H. R. 5039

To authorize the Secretary of Agriculture to assist participants in the food stamp program to pay the cost of fuel consumed for residential heating during the period of December through March.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 1979

Mr. SABO introduced the following bill; which was referred jointly to the Committees on Agriculture and Interstate and Foreign Commerce

---

A BILL

To authorize the Secretary of Agriculture to assist participants in the food stamp program to pay the cost of fuel consumed for residential heating during the period of December through March.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Fuel Stamp Act of 1979".

DEFINITIONS

SEC. 2. For purposes of this Act—

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(1) the term "certification period" shall have the meaning given it in section 3(c) of the Food Stamp Act of 1977 (7 U.S.C. 2012(c)),

(2) the term "coupon" means any coupon, stamp, or type of certificate issued pursuant to the provisions of the Food Stamp Act of 1977 (7 U.S.C. 2011–2027),

(3) the term "food stamp program" shall have the meaning given it in section 3(h) of the Food Stamp Act of 1977 (7 U.S.C. 2012(h)),

(4) the term "fuel stamp program" means the fuel stamp program operated pursuant to the provisions of this Act,

(5) the term "fuel" means any source of energy which may be consumed to produce heat,

(6) the term "fuel stamp" means any stamp or type of certificate issued under section 4 of this Act,

(7) the term "household" shall have the meaning given it in section 3(i) of the Food Stamp Act of 1977 (7 U.S.C. 2012(i)),

(8) the term "Secretary" means the Secretary of Agriculture,

(9) the term "State" shall have the meaning given it in section 3(m) of the Food Stamp Act of 1977 (7 U.S.C. 2012(m)),

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(10) the term "State agency" shall have the meaning given it in section 3(n) of the Food Stamp Act of 1977 (7 U.S.C. 2012(n)), and

(11) the term "quality control" shall have the meaning given it in section 16(e) of the Food Stamp Act of 1977 (7 U.S.C. 2025(e)).

ESTABLISHMENT OF FUEL STAMP PROGRAM

SEC. 3. There is hereby established a fuel stamp program to assist participants in the food stamp program to pay the cost of fuel consumed for residential heating during the period of December through March. Such program shall be administered by the Secretary of Agriculture pursuant to the provisions of this Act.

ISSUANCE OF FUEL STAMPS

SEC. 4. Fuel stamps shall be issued in accordance with a plan approved by the Secretary under section 9(a), for the uses specified in section 6, to households which are eligible under section 5(a) to receive such fuel stamps.

ELIGIBILITY TO RECEIVE FUEL STAMPS

SEC. 5. (a) Each household which is eligible to participate in the food stamp program and which receives any coupon for the month of January, February, March, or December shall be eligible to receive fuel stamps in accordance with subsection (b) for each such month for which such household receives such coupon.

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(b) A household which is eligible under subsection (a) to receive fuel stamps for any month shall receive for such month fuel stamps having an aggregate face value equal to the sum of—

(1) $20, and

(2) the amount by which the total value of the coupons such household is authorized to receive during such month exceeds $20,

except that the aggregate face value of such fuel stamps issued to such household for such month shall not exceed $50.

USE OF FUEL STAMPS

SEC. 6. (a) Fuel stamps issued under section 4 to a household eligible under section 5(a) to receive such fuel stamps may be used by such household only as payment for the cost of fuel consumed by such household to heat a residence occupied by such household. Such fuel stamps may be used to make such payment to any person who sells such fuel to such household or to any person who purchases such fuel to provide heat for the benefit of such household.

(b) Fuel stamps received by a person as payment for fuel purchased by such person to provide heat for the benefit of a household may be used by such person only to make payment for such fuel to the person who sells such fuel.

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REDEMPTION OF FUEL STAMPS

SEC. 7. (a) Fuel stamps issued under section 4 may be redeemed only by a person who sells fuel.

(b) The Secretary, in cooperation with the Secretary of the Treasury, shall promulgate rules to provide for the redemption of fuel stamps through banks.

(c) Fuel stamps issued under section 4 shall be accepted as payment, and redeemed, at face value.

PRINTING AND CONTROL OF FUEL STAMPS

SEC. 8. (a) Fuel stamps shall be printed under such arrangements, and in such denominations, as the Secretary determines to be necessary. Such fuel stamps shall be simple in design and shall include only such words or illustrations as are required to explain the purpose, and specify the denominations, of such fuel stamps. The name of any public official shall not appear on such fuel stamps.

(b) The Secretary shall develop an appropriate procedure for determining and monitoring the level of fuel stamp inventories held by fuel stamp issuers for the purpose of providing that such inventories are at proper levels, taking into consideration the historical and projected volume of fuel stamp distribution by such issuers. Such procedure shall provide that fuel stamp inventories held by such issuers are not in excess of the reasonable needs of such issuers, taking into

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consideration the ease with which such issuers may be resupplied with such fuel stamps.

(c) The Secretary shall require each fuel stamp issuer to submit to the Secretary or a designee of the Secretary at intervals not less frequently than monthly, prescribed by the Secretary, a written report describing the operation of such issuer during the period for which such report is required. Such report shall contain such other information as the Secretary deems to be appropriate and an oath or affirmation signed by such issuer certifying that the information contained in such report is true and correct to the best knowledge and belief of such issuer.

(d) The Secretary shall establish procedures for the delivery of fuel stamps to fuel stamp issuers and for the controls to be placed over such fuel stamps by such issuers in order to ensure adequate accountability.

(e) Notwithstanding any other provision of this Act, a State agency which participates in the fuel stamp program shall be responsible to the Secretary for any financial loss involved in the acceptance, storage, and issuance of fuel stamps in the State involved.

ADMINISTRATION OF FUEL STAMP PROGRAM

SEC. 9. (a)(1) Each State agency which administers the food stamp program and which desires to participate in the fuel stamp program shall submit for approval by the Secre-

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tary a plan of operation for conducting the fuel stamp program.

(2) Such plan shall specify the manner in which such fuel stamp program shall be conducted within every political subdivision of the State involved. For the purpose of administering the fuel stamp program efficiently, such plan shall provide that such fuel stamp program shall be conducted and coordinated with such food stamp program to the fullest extent practicable.

(3) The plan submitted under paragraph (1) shall provide, in addition to any provision the Secretary may require by rule, that—

(A) such State agency shall inform low-income households of the availability and benefits of fuel stamps,

(B) any application form to be submitted for participation in the fuel stamp program shall contain a description, in understandable terms in prominent and boldface lettering, of the appropriate penalties applicable to violations of this Act by members of an eligible household,

(C) any household which is entitled to receive coupons on an expedited basis under section 11(e)(9) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(9)) shall receive such fuel stamps on an expedited basis,

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(D) any household aggrieved by—

(i) an action of such State agency under any provision of such plan which affects the participation of such household in the fuel stamp program, or

(ii) by a claim against such household arising from an overissuance of fuel stamps,

shall be given, at the request of such household, a hearing and a prompt determination regarding such action, and

(E) any household which timely requests such hearing regarding an action by such State agency to reduce or terminate the fuel stamp benefits of such household in the certification period of such household shall continue to receive fuel stamps on the basis such household was authorized to receive fuel stamps immediately before such action was taken, until the earlier of the time such hearing is completed and an adverse decision is rendered, or the time such certification period terminates.

(4) In the case of a State agency which is ineligible in any year to receive a payment under section 10(c), the plan submitted under paragraph (1) shall include a quality control plan for administering such fuel stamp program in the State

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involved. Such quality control plan shall specify the action such State agency or such State proposes to take to reduce—

(A) the incidence of error in—

(i) the issuance of fuel stamps to households which are not eligible under section 5(a) to receive such fuel stamps, and

(ii) the overissuance and underissuance of fuel stamps to households which are eligible under such section to receive such fuel stamps, and

(B) the incidence of invalid decisions made by such State agency in finding households ineligible under section 5(a) to receive fuel stamps.

(b)(1) Each State agency which administers the fuel stamp program shall assume responsibility for the issuance, control, and account of fuel stamps in the State involved.

(2) Such records shall be kept as may be necessary to ascertain whether the fuel stamp program is conducted in accordance with this Act, with any rule promulgated to carry out the provisions of this Act, and a plan submitted by such State agency under subsection (a) and approved by the Secretary. Such records shall be available for inspection and audit at any reasonable time and shall be preserved for such period of time as the Secretary may require by rule, but not less than three years.

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(c)(1) If the Secretary determines that a State agency fails to comply with any provision of this Act, any rule promulgated by the Secretary to carry out the provisions of this Act, or a plan submitted by such State agency under subsection (a) and approved by the Secretary, then the Secretary shall immediately inform such State agency of such failure and shall allow such State agency a specified period to correct such failure.

(2) If such State agency does not correct such failure before the expiration of such period, then the Secretary may refer the matter of such failure to the Attorney General of the United States with a request that the Attorney General bring an action to enjoin such State agency to comply with this Act, such rule, or such plan, as the case may be.

(d) The Attorney General of the United States may bring an action, at the request of the Secretary, in an appropriate district court of the United States to enjoin a State agency to comply with any provision of this Act, any rule promulgated by the Secretary to carry out the provisions of this Act, or a plan submitted by such State agency under subsection (a) and approved by the Secretary. The district court in which such action is properly brought shall issue an injunction granting appropriate relief if the Attorney General shows that such State agency failed to comply with this Act, such rule, or such plan.

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(e) If the Secretary determines that there has been negligence or fraud on the part of a State agency in connection with the issuance of fuel stamps, then the State involved shall, at the request of the Secretary, deposit in the Treasury of the United States a sum equal to the aggregate face value the fuel stamps issued as a result of such negligence or fraud.

(f) Subject to the approval of the President and at the request of the State agency involved, post offices which are authorized under section 11(k) of the Food Stamp Act of 1977 (7 U.S.C. 2020(k)) to issue coupons may issue fuel stamps.

ADMINISTRATIVE COST-SHARING AND QUALITY CONTROL

SEC. 10. (a)(1) The Secretary shall—

(A) establish standards for the efficient and effective administration of the fuel stamp program by the States, and

(B) require each State to submit to the Secretary at regular intervals reports which shall specify the administrative actions proposed to be taken by such State to meet the standards established under subparagraph (A).

(2) If the Secretary determines that a State has failed, without good cause, to meet the standards established under paragraph (1)(A) or the State agency involved has failed to carry out a plan submitted by such State agency under sec-

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tion 9(a) and approved by the Secretary, then the Secretary shall withhold from such State or such State agency all or part, as the Secretary deems appropriate, of the amounts otherwise payable under subsection (b) and subsection (c) to such State or such State agency.

(b)(1) Except as provided in paragraph (2) or paragraph (3), the Secretary may pay to each State agency which implements a plan submitted by such State agency under section 9(a) and approved by the Secretary an amount not to exceed 50 per centum of all administrative costs incurred in implementing such plan, including the cost of—

(A) the acceptance, storage, protection, control, and account of fuel stamps after the delivery of such fuel stamps to receiving points within the State involved,

(B) the issuance of fuel stamps to households eligible under section 5(a) to receive such fuel stamps, and

(C) the holding of hearings under section 9(a)(3)(D).

(2) The Secretary may pay to such State agency an amount not less than 75 per centum of the cost of investigations and prosecutions conducted to carry out the provisions of this Act.

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(3) The Secretary may pay to a State agency which administers the fuel stamp program in conjunction with administering the food stamp program on all or part of an Indian reservation under section 11(d) of the Food Stamp Act of 1977 (7 U.S.C. 2020(d)) such amounts for administrative costs as the Secretary determines to be necessary for the effective operation of the fuel stamp program on such reservation.

(c) The Secretary may pay to a State agency, in addition to the maximum amount authorized in subsection (b)(1), an amount not to exceed 10 per centum of the administrative costs described in such subsection if such State agency has cumulative error rates, with respect to the issuance of fuel stamps to households, of less than 5 per centum calculated in accordance with an appropriate quality control program adopted by such State agency or the State involved to reduce the incidence of error described in section 9(a)(4)(A).

PROHIBITION OF REDUCTION OF ASSISTANCE

SEC. 11. The value of any fuel stamp issued under section 4 shall not be considered to be income or a resource of the recipient household for purposes of any law of the United States, any State, or any political subdivision of a State. No State or political subdivision of a State shall reduce the amount of assistance provided to a household or any member

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of a household because of the receipt of such fuel stamp by such household.

VIOLATIONS AND ENFORCEMENT

SEC. 12. (a) Whoever—

(1) knowingly uses, transfers, receives, alters, or possesses fuel stamps having an aggregate face value which equals or exceeds $100, or any document entitling a household to be issued fuel stamps having such value, or

(2) presents or causes to be presented fuel stamps having such value as payment or for redemption, knowing that such fuel stamps have been used, transferred, received, or altered,

in any manner not authorized by this Act or any rule promulgated under this Act shall be imprisoned for not more than five years, fined not more than $10,000, or both.

(b) Whoever—

(1) knowingly uses, transfers, receives, alters, or possesses fuel stamps having an aggregate face value which is less than $100, or any document entitling a household to be issued fuel stamps having such value, or

(2) presents or causes to be presented fuel stamps having such value as payment or for redemption,

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knowing that such fuel stamps have been used, transferred, received, or altered,

in any manner not authorized by this Act or any rule promulgated under this Act shall be imprisoned for not more than one year, fined not more than $1,000, or both.

(c) Whoever sells to a purchaser fuel which is consumed for the purpose of heating a residence occupied by a household receiving fuel stamps and refuses to accept such fuel stamps from such purchaser as payment for such fuel—

(1) shall be imprisoned for not more than five years, fined not more than $10,000, or both if the aggregate face value of such fuel stamps so refused equals or exceeds $100, or

(2) shall be imprisoned for not more than one year, fined not more than $1,000, or both if the aggregate face value of such fuel stamps so refused is less than $100.

(d) Whoever purchases fuel which is consumed for the purpose of heating a residence occupied by a household receiving fuel stamps and refuses to accept such fuel stamps as payment for the part of any occupancy fee payable by such household and allocable to the fuel so consumed—

(1) shall be imprisoned for not more than five years, fined not more than $10,000, or both if the ag-

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gregate face value of such fuel stamps so refused equals or exceeds $100, or

(2) shall be imprisoned for not more than one year, fined not more than $1,000, or both if the aggregate face value of such fuel stamps so refused is less than $100.

(e) Whoever refuses to sell any quantity of fuel to any person because such person may make payment for such fuel with fuel stamps—

(1) shall be imprisoned for not more than five years, fined not more than $10,000, or both if the retail price of such quantity of fuel equals or exceeds $100, or

(2) shall be imprisoned for not more than one year, fined not more than $1,000, or both if the retail price of such quantity of fuel is less than $100.

(f) Fuel stamps issued under this Act shall be deemed to be obligations of the United States within the meaning of title 18, United States Code.

(g) A fuel stamp issuer who negligently fails to comply with any requirement or procedure imposed by the Secretary under subsection (c) or subsection (d) of section 8, or any rule promulgated to carry out either such subsection, shall be imprisoned for not more than one year, fined not more than $1,000, or both.

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(h) A fuel stamp issuer, or an officer, employee, or agent of such issuer, who knowingly provides false information in a report required in section 8(c) shall be imprisoned for not more than five years, fined not more than $10,000, or both.

(i) Notwithstanding any other provision of this Act, the Secretary may provide for the issuance or presentment for redemption of fuel stamps to any person at such time and in such manner as the Secretary deems necessary or appropriate to protect the interests of the United States or to ensure enforcement of the provisions of this Act or any rule promulgated under this Act.

DETERMINATION OF DISPOSITION OF CLAIMS

SEC. 13. The Secretary may—

(1) determine the amount of, and adjust and settle, any claim, and

(2) compromise or deny all or part of any claim, arising under any provision of this Act or any rule promulgated under this Act, including any claim arising from fraudulent and nonfraudulent overissuance of fuel stamps to recipients. The Secretary may delegate to any State agency his authority under this section with respect to claims against such recipients.

RETROACTIVE APPLICATION

SEC. 14. Fuel stamps shall be issued under section 4 for any month beginning after November 30, 1979.

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AMENDMENT TO FOOD STAMP ACT OF 1977

SEC. 15. Section 5(e) of the Food Stamp Act of 1977 (7 U.S.C. 2014(e)) is amended by adding at the end thereof the following new sentence: "For purposes of the preceding sentence, the value of any fuel stamp issued under section 4 of the Fuel Stamp Act of 1979 to a household shall not be considered as an amount expended by such household for shelter.".

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96TH CONGRESS
1ST SESSION

H. R. 5265

Emergency Fuel and Food Relief Act of 1979.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 13, 1979

Mr. RICHMOND introduced the following bill; which was referred to the Committee on Agriculture

---

A BILL

Emergency Fuel and Food Relief Act of 1979.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Emergency Fuel and Food Relief Act of 1979".

FINDINGS AND STATEMENT OF PURPOSE

SEC. 2. (a) The Congress finds that—

(1) recent dramatic increases in the cost of energy and particularly home heating oil have significantly reduced the real purchasing power of low-income and near-poor households in the United States to levels at

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which it has become more and more difficult for them to afford the necessities of life;

(2) such increases and, hence, such reductions in real purchasing power, will intensify during the fall and winter of 1979–1980;

(3) such increases impose a disproportionately larger burden on the incomes of low-income households than on the incomes of other households;

(4) such increases have a greater impact in those geographical regions of the United States that are subject to severe weather conditions during the fall and winter as measured by degree days;

(5) if low-income and near-poor households in such geographical regions are not given assistance in meeting the burden of the rising cost of essential home energy supplies, they will be confronted with a Hobson's choice between purchasing energy, thus neglecting their life, health, and nutrition, and purchasing food, thus threatening their life, health, and safety;

(6) existing Federal and State programs are insufficient to assist such households in satisfying both their essential home energy and nutrition needs; and

(7) access to adequate supplies of essential home energy and nutritious food is necessary to avoid im-

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pairment of health and loss of life in low-income households.

(b) It is the purpose of this Act to respond to this crisis in the ability of low-income households to afford both adequate supplies of essential home energy and adequate supplies of nutritious food by providing increased food purchasing power to such households on a short-term, emergency basis in order to enable them to direct more of their real purchasing power to meet the rising cost of essential home energy.

PROGRAM BENEFITS

SEC. 3. Section 3(o) of the Food Stamp Act of 1977 is amended by adding at the end thereof the following sentence: "In those States in which the number of United States degree days in the three-decade average exceeds four thousand annually, the cost of the thrifty food plan for all households in such States shall, during the months of December 1979, and January, February, and March 1980, be increased to the nearest $1 by the percentage increase in the fuel oil component of fuel costs in the all-urban Consumer Price Index published by the Bureau of Labor Statistics of the Department of Labor from October 1978, to and including October 1979.".

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Mr. RICHMOND. Let's not be beguiled by the short lines at the fuel pumps and the warm days of a waning summer into believing that our energy problems are behind us.

The subject before us today belies the season. In a very short time winter will be upon us, bringing with it the specter of physical coldness, economic hardship, and personal suffering. Stripped of rhetoric, the problem we face is to insure that America's neediest citizens, the destitute, the working poor, the disabled, and the elderly are not forced into making an untenable choice between providing food or heat for themselves and their dependents.

According to a recent Department of Energy report: "If a major low-income energy assistance program is not established by this winter, the health and safety of thousands of low-income people and the elderly will be jeopardized."

Those who have the legal and moral responsibility to provide for the public welfare have become prodigal with their promises. Congress and the administration have been so preoccupied with creating an energy program for the future that they are in danger of forgetting the immediate needs of the poor.

Rarely has a crisis been so clearly defined. Last year, the average fuel bill for poor families living in cold climates was $770; this year it is expected to be $1,500. While home energy costs for the poor are approaching 25 percent of the total household income, that figure is rising to an astounding 35 percent for those living in the frost belt.

In the Northeast alone, 70 percent of all houses are heated with fuel oil. Since last January the cost of home heating oil has increased over 50 percent—a rise from 50 to 80 cents a gallon with a prediction of reaching $1 by this fall.

Gas and electric prices are sure to rise in tandem and the 4 million poor whose rent includes heating costs are expected to pay an additional 30 percent.

For those who would preach conservatism and sacrifice to the poor, I would recommend that they walk down the streets of my district. I assure you that the working poor of Williamsburg, Greenpoint, and Bedford Stuyvesant, who must support their families on incomes of less than $12,000 a year, cannot afford to live in energy-efficient houses.

Rather than modern, insulated, tightly constructed homes, one sees superannuated wooden tenements whose inadequate heating systems are often dangerously supplemented by the warmth of an open gas oven.

For such families conservation incentives or deferred tax rebates are not solutions. If they are to survive, aid must be immediate and direct.

With this imperative in mind, I have introduced H.R. 5265, the Emergency Fuel and Food Relief Act of 1979. This legislation would, for the months of December through March, increase food stamp allotments to households in States which traditionally experience cold winters by the percentage of the annual increase in national fuel oil costs. For example, if heating costs have risen nationally by 50 percent, a household in an eligible State normally receiving $90 in food stamps would receive an additional allotment of $45 in food stamps.

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I believe that this emergency assistance to the poor would allow their strained budgets to absorb expected fuel price increases without sacrificing the food necessary to provide a minimally nutritious diet.

Other proposals which will be presented by our distinguished colleagues, Mr. Sabo and Mr. Peyser, would add fuel stamps to the basic food stamp allotment. Although different in approach, the three plans share the common goal of insuring that the poor will not become the pawns of an inflated economy.

Ultimately, whether we choose to increase food stamp allotments or institute a new fuel stamp program, we must be certain that the integrity of the food stamp program, which is the most efficient vehicle for delivering aid to the poor, is not encumbered by additional bureaucracy or the potential for fraud or abuse.

Accordingly, I have invited here today representatives of the Departments of Energy; Agriculture; and Health, Education, and Welfare to assist us in charting a course that will provide immediate and direct assistance to the poor. Whatever we decide, we must act quickly and decisively: The poor deserve more than promises. Mr. Panetta?

OPENING REMARKS OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. Thank you, Mr. Chairman. Let me say briefly that this is obviously a crucial issue that is facing the Congress. It is being debated in the Democratic Caucus right now with regard to whether controls should be reinstituted with regard to middle distillates. We face the same issue in this subcommittee with regard to whether assistance needs to be provided.

There is no question but that we are talking about the lives of people who are caught in a crunch between the possibility of shortages in heating oil and paying extremely high prices in order to get whatever heating oil they can. There is no question that people at every level in our society will face this as a crucial issue this winter. It is particularly true of those at the lower income level.

A number of ideas have been suggested with regard to fuel stamps. I think our responsibility is to look at these alternatives and to insure that whatever we develop does not wind up simply becoming another program that eats up half of the funds just for administrative costs and with very little of it getting to the people.

If we are going to do something, then let us do something that is effective and that is direct in terms of assistance.

If all we are going to do is to play games at the congressional level and play politics with this issue and not provide any direct relief, then we might just as well not have this hearing right now.

If it is going to be effective and provide direct relief, then we should be involved. I hope the hearings will give us some direction in that respect.

Mr. RICHMOND. Thank you. Mr. Grassley?

OPENING REMARKS OF HON. CHARLES E. GRASSLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. GRASSLEY. The chairman painted a bleak picture and probably a very accurate picture as to what the situation is today with

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regard to heating costs for this winter. That is as it looks to us on a warm September day.

Before the winter finishes there is a real possibility of the price of fuel increasing.

There was one major oil company—I believe it was Texaco—which about 1 month ago announced that they were not going to be increasing the price of fuel oil.

President Carter, soon after that, asked the other major oil companies to follow suit.

About that same time, Congressman Biaggi of New York and I—we are chairman and ranking member, respectively, of one of the subcommittees on aging—wrote to the major companies asking for their assessment of the Texaco pronouncement and asked them to follow suit.

To this point I have heard of no response either on the part of the President's request or on Congressman Biaggi's and my request to the major oil companies.

I hope that answer will be coming forth soon. Not that it will improve the present picture the chairman has laid out here and as it looks to us in September, but so that the situation will not get worse.

It might even be that such a pronouncement would help the situation as we perceive it today because we have a real challenge before us as we consider this legislation. The challenge is to meet the needs of those who have needs strictly because of the cold weather and increasing fuel costs.

This is a need that is not too far unrelated to the considerations of the first food stamp legislation in the middle 1960's.

This subcommittee also has the challenge to see that the programs that we are considering for these specific needs serve those needs only and do not end up becoming what could be an addition to a long list of other income transfer programs that have been established by the Congress without any consideration for the original purpose or to the modern day needs for which they were first instituted.

Therefore, I hope we can meet the challenge and that we can meet the needs of those people who have those needs. Yet I hope we can do it in a way that would encourage some help from the private sector, as the President's request to the other major oil companies has done. Congressman Biaggi's and my desire has also been indicated in this line. I hope we can do this in a way so that we are not creating a program that is going to be an income transfer program.

Mr. RICHMOND. Thank you. Mr. Nolan?

OPENING REMARKS OF HON. RICHARD NOLAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. NOLAN. Mr. Chairman, let me take a moment to commend you as chairman of this subcommittee for calling these hearings on the proposal.

I also want to commend our colleague from Minnesota, Mr. Sabo, for having the good sense and the compassion to introduce this proposal.

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There is little dispute to the harsh realities that are going to be caused by decontrol and the rising prices of fuel. The fact is that people in this country will be faced with the decision as to whether or not they are going to eat or have heat this coming winter. Any nation with the wealth and prosperity and the affluence that America has should be ashamed of itself if we fail to come up with a program or vehicle or policy to alleviate the very, very cruel and harsh realities that will result if we fail to act in this Congress.

Therefore, I hope this subcommittee and the rest of the Congress will have the same kind of good sense and compassion that Mr. Sabo has demonstrated here with his introduction of his proposal.

Thank you, Mr. Chairman.

Mr. RICHMOND. Thank you. Mr. Harkin?

OPENING REMARKS OF HON. TOM HARKIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. HARKIN. Thank you, Mr. Chairman.

While I basically agree with the thrust of this type of legislation and with what the chairman is trying to do, I am a little concerned that perhaps what we might be doing is taking taxpayers' dollars and giving it to the oil companies for ripping us off with increased profits.

There was a Wall Street Journal article, for example, that showed that in the last couple of weeks the profits being made by the oil companies in heating this year alone have gone from 7 cents a gallon to 16 cents a gallon and may reach as high as 20 cents a gallon with heating oil going to $1 a gallon.

Therefore, are we taking taxpayers' dollars and giving it to the poor for fuel stamps and just subsidizing the increased profits of the oil companies.

I see a difference between food and oil. Food is produced by millions of farmers throughout the country. There are thousands of processors processing that food. There are thousands of stores selling it and competing with one another. But in oil, that is not the case. Oil is controlled by a cartel. It is processed by very few oil companies in this country and marketed by very few oil companies. It is strictly controlled. The profits are controlled by those oil companies, and they are gouging us with those profits.

There is a difference between the basic concept of food stamps where people are not getting ripped off by the price of food, and there is not a cartel controlling the food that goes to the poor people—there is a difference between that and the situation with oil.

Therefore, it would seem to me that while we would want to provide some benefit or some support for the poor people in order that they might pay their heating bills, I do not want it to be just a way of taking money out of taxpayers' pockets and simply giving it to the oil companies for ripping us off through increased profits. This is all the way from 7 cents to 16 cents a gallon this year.

That is the fear I have with something like this. If you are going to do something like this, then we ought to attack it from the other end also, Mr. Chairman. We should control the amount of profits that these oil companies can get in the heating oil that they are selling.

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I thank you.

Mr. RICHMOND. Thank you.

Mr. Sabo, it is a pleasure to have you with us. We are grateful to you for introducing your bill.

Take as much time as you like and proceed as you wish.

STATEMENT OF HON. MARTIN O. SABO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. SABO. Thank you, Mr. Chairman.

I appreciate the opportunity to be here. I listened with interest to the comments of yourself and other members of the subcommittee. I would agree with the basic thrust of all of those comments.

I think it is obvious to all of us that the days of cheap energy are gone. In my judgment those days were gone before the most recent price increases that we have been dealing with this past year. While many people can readjust their spending patterns to accommodate changes in fuel prices, a significant number of people cannot make these adjustments. These people are going to experience serious, life-threatening hardships in this and future winters.

H.R. 5039 is a basic fuel assistance program to deal with the problem of the substantially higher costs of fuel.

I have submitted for the record a detailed statement that is available to the members of the subcommittee. I will just make a few brief comments.

Mr. RICHMOND. That will be fine. Your entire statement will be inserted in the record.

[The statement of Mr. Sabo may be found on p. 33.]

Mr. SABO. H.R. 5039 is a relatively easy bill to describe. It simply piggybacks the food stamp program and uses the same eligibility and same governmental structures that the food stamp program uses to distribute fuel stamps. Fuel stamps would be distributed for 4 months each year in December, January, February and March.

Fuel stamps would be in the same amount as food stamps that the individual family would be eligible for with two exceptions. They are important. One would be the minimum amount of fuel stamps would be $20. The reason for that is, in looking at the eligibility for food stamps, particularly for a substantial number of single individuals who would be primarily elderly, I noticed they would only be eligible for $10 in food stamps. In my judgment, $20 should be the least amount of aid provided. Frankly, I would prefer to see it higher. The second exception is that the bill puts a cap on at $50 a month.

The fuel stamps would be used by the individual to pay their fuel bill or, in the case of a renter, where the rent includes heat, the renter could use the fuel stamps to pay the rent or a portion of the rent, and the landlord could use the fuel stamps to pay his fuel bill.

Before I give some reasons why I think this program makes sense, let me mention a couple of things that it is not. I think that is important as we try to deal with this problem. The answer to the total problem includes a variety of things.

It is not all-inclusive. Clearly, if the Congress decides that it has enough dollars and enough money to put in the program for fuel assistance and wants to develop a program for people higher on the

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income scale than food stamps apply to, then some other type of mechanism has to be developed.

The types of people that we are dealing with in this program have to be the No. 1 priority. The resources can go beyond this and we can look at such things as tax credits for dealing with higher income people.

It probably does not handle all emergencies.

I think it is important to develop a basic program that is fairly simple. On the other hand, there are always emergencies that may exist. I think that the development of a program such as this or one such as the chairman has suggested, does not eliminate the total need for a crisis intervention program.

On a scaled-down version you will need a crisis intervention program because there will always be examples of a peor person in a poorly insulated house with a fuel bill totally out of proportion to other people.

I am not sure that one can design a basic program to take care of that problem. One probably needs some flexibility through the continuation of such a program as crisis intervention to deal with it.

Let me give you the reasons why I think the approach of H.R. 5039 is a good one. It is relatively simple. I think that is very important. It piggybacks on the existing bureaucracy. It piggybacks on an existing eligibility standard. We need, of course, uniformity whenever possible.

Our goal at the start should be simplicity rather than complexity. Frankly, one of the reasons I introduced this bill was to look at many, many options that appear to be surfacing. It always struck me how complex they were and how they required new eligibility. It seemed like it would take them forever to get going. I think this program is simple. I think it could be easily administered, and I think there should not be much additional administrative cost. The eligibility is something that is known. The bureaucracy and the governmental structure is in place. I think that is important.

The program is fair between homeowners and renters. That is important for many of us to remember. Many suggestions would ignore the renter who pays his fuel bill or heating bill in the monthly rent payment.

That problem for the low-income renter is as severe as it is for the homeowner. It eats away his disposable income.

This bill is fair to both homeowners and renters.

This approach is broadbased. It provides benefit for people beyond those who are on the current welfare programs, either AFDC or aid to the disabled, or the supplemental income program. It includes the working peor. It includes people who may face an emergency because of some temporary cutoff of income.

The approach we have suggested does not discourage conservation. I think that is important. The amount of stamps is not tied to the individual fuel bill.

If that particular homeowner participates in programs or does things to conserve energy, it does not reduce the amount of fuel stamps he/she receives. In my judgment, that is an important provision of the bill. I think it is a good one.

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This approach is neutral regarding the type of fuel. I suspect that will be one of the more difficult issues for Congress to deal with. In my judgment, it is a plus to be neutral as it relates to the type of fuel. If one of Mr. Nolan's constituents wishes to switch to wood, the fuel stamps would be available to be used for that wood. This is in the same manner as if the individual continued using some other type of fuel. I think that is a plus.

It is also clear in terms of developing long-range programs that we will constantly see variations and different types of changes in the costs of different types of fuel. I think it is difficult to develop a program that is automatically just.

The bill, as we have suggested, is geographically neutral. I happen to come from a northern cold State. I would love to have Congress provide more for our State than it does for Mr. Panetta's State because we are in a colder climate. I am not sure that political reality is such that we are going to be able to do this. If we can do it, I would like to.

On the other hand, I think there are pluses toward having a bill that is geographically neutral. I assume, using a State as a division, that internally within States one would find substantial variations. I think those distinctions are very difficult to draw.

I would expect in the State of California the problem of heating would be substantially different from southern to northern California. In other States it is probably substantially different from low-lying areas to high mountain areas. Those distinctions become very, very difficult to deal with. In my judgment, in terms of having a national program, the geographic neutrality is a plus for getting the bill passed.

Whatever inequities there are would be relatively minor.

It is also my judgment that States should consider supplementing a national program if necessary. Clearly the problem is more severe in some States than others. I think it is appropriate for States to supplement.

It is our understanding that within current law if such a program were in place that States could simply send along an extra fuel stamp to the colder States if they made that choice to use State funds. If that is not clear, then I think any bill should make it clear that States could do that.

There is responsibility on the part of State governments. Many of them are in a better fiscal position than the Federal Government finds itself. We should expect a contribution on their part.

Our estimate of the cost of H.R. 5039 as it is currently structured is for approximately $1 billion. The minimums and maximums that we suggest in this bill are that. They are suggestions. Obviously, if Congress decided that we cannot spend that much, then it could be scaled down.

I would hope the decision would be the opposite and that we possibly could put more dollars into such a program. In this case, it would cost more.

If that were possible, my first judgment would be to increase the minimum allowance of $20 a month. It is only $80 a year. That is really not very much. Even the maximum of $200 a year with $50 for 4 months of the year is not very much.

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I would hope we could enrich the program with available dollars whether they are general revenue or windfall profits taxes or whatever. However, I think the basic approach is a good one.

In conclusion, Mr. Chairman, I commend you and the subcommittee for beginning hearings on this problem. I think your description of it is accurate. It is a fundamental problem. I think the basic thrust in trying to find a program that has equity but is still a fairly simple one is important.

I would suggest H.R. 5039 to you for your consideration as a bill which I think approaches the problem of increased fuel costs for poor people in a sensible and reasonable way.

I thank you. I would be happy to respond to any questions you might have.

Mr. RICHMOND. Thank you.

I wonder if you mind if we heard from Mr. Peyser first. Then we can question both of you.

Mr. Peyser, it is a pleasure to have you with us. You always seem to be in the forefront of every good measure to help poor people. We are all very anxious to hear your comments on this concept of using the food stamp administration to distribute fuel stamps this winter.

Please proceed as you see fit.

STATEMENT OF HON. PETER A. PEYSER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. PEYSER. I thank you, Mr. Chairman, and members of the subcommittee.

I would like to join in congratulating you on the speed with which you have moved on what is obviously a critical problem and one that has to be addressed very quickly. I also want to congratulate my colleague, Mr. Sabo, for the introduction of his bill. It strikes right at the heart of the matter.

When the gasoline shortage was upon us, we were dealing with a matter of inconvenience. With the dual problem of price and availability of home heating oil, we are talking about a situation that deals with survival. These are two vastly different situations. Everybody got deeply concerned over the gasoline shortage. I did. I waited in lines as my colleagues did for gasoline. But, I do not have to outline the vast difference between the elderly, the handicapped, and poor families who, in effect, cannot survive in a home or in an apartment that is just not heated.

Therefore, the need for this legislation is immediate, without question.

We should look at some realities in order to get a feeling of just where we are today.

Yesterday in Westchester County and in the Bronx in New York City home heating oil was priced at 84 to 86 cents a gallon. Incidentally, an interesting comment here is this. I applaud Texaco's statement saying that they would maintain their level of price but Texaco today is the highest priced home heating oil in our area. When they made this statement they also increased the price of the heating oil. So, many other of the major heating oil providers are still well below the Texaco level.

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I am hopeful that we will be able to hold this price even though the estimates I receive now come to $1 a gallon by this coming winter.

The situation there, Mr. Chairman, is such that in spite of the price which is going to be outrageous, the distributors in the New York area have had their allocations cut 10 to 15 percent from the major oil companies which means that they are going to have a lesser amount of home heating oil.

I spoke to Mr. Duncan, the Secretary of Energy, this morning and asked him and one of his aides about the assurances that they were giving us that everything was all right, as he has said. It is suggested that we will not have any problem on supply.

The sole source of this answer is coming from the oil companies themselves whose track record on being able to inform us of the accuracy of these kinds of statements is certainly not the best.

Therefore, we are going to be requesting some hard-hitting facts on the supply of home heating oil because if the oil is not there it will not make any difference what the price is. These people will be in desperate need.

Mr. Chairman, in introducing my bill—and I followed very closely the concepts of my colleague, Mr. Sabo's bill, I made two changes which I thought were important. There are two exceptions. One, I do not view $50 a month maximum as a real maximum figure in the northeastern part of the country and in States such as Minnesota.

I believe $75 is much more realistic and is much more apt to answer the need because we cannot half answer the need. We have to answer it in its entirety for those people who are trying to heat their homes or apartments, or we are going to be unsuccessful in the effort.

Therefore, I am suggesting $75.

I do have another suggestion that I hope the subcommittee will consider. Anytime you issue stamps, whether it is food stamps or fuel stamps, there is always the potential of someone beating the system and the potential for somebody to use fuel stamps to barter for other situations. They are like cash.

What I am suggesting is that in the receipt of the fuel stamp the recipient will have to present the bills for the past month that they have received and be compensated up to a maximum of $75. This can be done without any further administration costs except the presentation of these at the time they go to get their fuel stamps.

I think it answers a need. I think for those who are renters I would say this: In New York we have a fuel passthrough which shows on the bill that a person renting would receive what the cost and charge for fuel is. This could be presented in exactly the same way to alleviate any cheating, if you will, on the system.

I think we owe it to the taxpayer to have that kind of safeguard.

Basically aside from the fact that I am supportive of Mr. Sabo's legislation, I am supportive of the legislation that the chairman is introducing here. I think we must address this issue rapidly. I know that it is your intent to do so. I think we must give the House a chance to act as quickly as possible.

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Once again, let me submit my written statement for the record. I appreciate this opportunity to be here and congratulate this subcommittee on the speed with which it is moving.

Mr. RICHMOND. Without objection, your entire statement, as well as that of Mr. Sabo, will be inserted in the record at this point.

[The prepared statements of Mr. Sabo and Mr. Peyser follow:]

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STATEMENT OF

CONGRESSMAN MARTIN O. SABO

Mr. Chairman, members of the committee, I want to thank you for inviting me here today to speak on my bill, The Fuel Stamp Act of 1979 (HR 5039). I appreciate this opportunity to appear before you.

It is obvious to all of us that the days of cheap energy are gone forever. The most current estimates show that the price of home heating oil has increased from approximately 49 cents a gallon last summer to about 90 cents a gallon now. This represents an 80% increase in one year and we still don't know where the prices will end up by the end of this winter. While many people can readjust their spending patterns to accomodate the rapidly rising costs of energy, a significant number cannot make these adjustments. These people are going to experience serious, life-threatening hardships in this and future winters.

It is for this reason that I have introduced the Fuel Stamp Act of 1979. My bill is an attempt to alleviate some of the most severe hardships caused by rising energy prices without creating a whole new set of problems for the people it intends to help.

DESCRIPTION OF THE PROPOSAL

The Fuel Stamp Act of 1979 piggy-backs a Fuel Stamp Program onto the Food Stamp Program. Anyone eligible for food stamps automatically qualifies for fuel stamps under the bill. The stamps are available in the months of December, January, February, and March, and can be picked up at the same time people pick up their food stamps.

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These stamps can be used to pay fuel bills in the same way food stamps are used to pay for food. They can also be used to pay rent where the rent includes heat.

The value of the fuel stamps offered is determined as simply as the eligibility. Fuel stamps would be available to a household in the same amount that the household receives in food stamps, with two exceptions:

a. No household would receive less than $20 per month in fuel stamps. For instance, if a household qualifies for only $10 in food stamps it would still qualify for $20 in fuel stamps in the four months when fuel stamps are offered.

b. No household will receive more than $50 per month in fuel stamps. Even though a household receives $100 in food stamps, it could only receive $50 in fuel stamps.

All households receiving food stamps of more than $20 and less than $50 per month in value would qualify for fuel stamps in the same amount as their food stamps.

The proposal is designed to work simply and efficiently and will cost approximately $1 Billion in 1980.

UNIQUE STRENGTHS OF THE PROPOSAL

HR 5039 has some unique strengths that I think recommend it as a fuel assistance program.

1. It is SIMPLE. The program works with the existing food stamp program so no new certification is required of the recipient and no new bureaucracy is added to the government. We have all experienced the frustration of working with govern-

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ment programs, that, while well intended, involved so many rules and so much redtape that it was almost not worth it to take advantage of them. HR 5039 works with an existing program that is tested and in place. It requires no additional burden for the recipients. Suggested alternative fuel assistance programs which establish new need definitions, will inevitably direct large sums of money from the needy recipiennts to the establishment of new, large bureaucracies and result in bureaucratic harassment of the new recipients.

2. It is BROAD-BASED. By virtue of paralleling the food stamp program, the Fuel Stamp Act reaches many more households. It covers people on welfare, low income working people, and people who are temporarily out of work but do not qualify for AFDC or SSI.

3. It is NEUTRAL in three important ways. FIRST, it does not discriminate between renters and homeowners. The stamps can be used to pay for a portion of the rent where rent includes utilities which provide heat. I consider this aspect of the bill particularly important as many fuel assistance proposals do not cover renters. The cost-problem renters face due to fuel price increases is potentially as serious as the problem homeowners face. Also, the majority of low income populations are renters. A fuel assistance program that targets homeowners will miss the majority of the poor. SECOND, it does not penalize people who conserve or reward large users of energy. The proposal is designed to be an entitlement based on food stamp standards. If a person takes advantage of a weatherization program

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and manages to reduce his heating bill there is no penalty. Family size is included in food stamp eligibility standards so there is some implicit recognition of higher need without containing a special reward for large users of energy.

THIRD, it does not discriminate against any region of the country. While there are strong regional differences in heating needs, almost all of the country experiences some heating needs. This bill represents a very basic level of assistance and states which are severly affected by cold weather could supplement it.

CONCLUSION

I have designed this program to provide a very basic level of assistance. The price tag of nearly $1 billion is an indication of the seriousness of our problem. If more money were available I would love to enrich the program. First I would recommend raising the $20 minimum; and, after that I would increase the maximum. I hope you will give serious attention to this bill. Regardless of what happens with other aspects of our energy programs, this problem must be solved soon.

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FACT SHEET

FUEL STAMP ACT OF 1979
H.R. 5039
Introduced July 31, 1979 by
Martin Olav Sabo

1) The program piggy-backs onto the food stamp program. It will be administered by the Department of Agriculture through the states in the same way food stamps are currently administered. No new bureaucracy is required.

2) Fuel stamps will be provided in the months of December, January, February, and March.

3) The value of fuel stamps offered is between $20 and $50 per month, determined as follows:

   a) Anyone who receives $20 or less in food stamps will receive $20 in fuel stamps that month. (A household receiving $10 in food stamps would still qualify for $20 in fuel stamps.)

   b) Anyone who receives between $20 and $50 in food stamps will receive the same amount in fuel stamps. (A household receiving $32 in food stamps would receive $32 in fuel stamps that month.)

   c) Anyone who receives $50 or more in food stamps would receive $50 in fuel stamps. (A household receiving $100 in food stamps would still receive only $50 in fuel stamps that month.)

4) To Qualify for the maximum value (i.e. $50/month) of fuel stamps, the income of a family of 4 could not exceed $519/month.

   Current estimates indicate an average annual heating cost of $500 in the southern third of the United States, $600 in middle third and $700 in the northern third

5) Utility companies that provide fuel for heating must accept fuel stamps at face value for their bills.

6) When heat is included in rent, the landlord must accept fuel stamps as part of the rent payment. Landlords, in turn, can use fuel stamps to pay their heating bills.

7) Utility companies may redeem the stamps in the same way that grocery store owners redeem food stamps. This is currently done through any bank that is a member or correspondent in the Federal Reserve System.

8) The program will cost $970 million in 1980.

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QUESTIONS AND ANSWERS

Fuel Stamp Act of 1979

QUESTION: Why attach a fuel stamp program to the food stamp program?

ANSWER: The food stamp program is one of our most broadly-based, well understood federal programs. It includes people on welfare. It also includes people who have a temporary interruption in in their work life and need assistance for only short periods of time. The program is in place throughout the country. It would be simpler for both the recipients and the government to add a fuel stamp to the food stamp program than to establish a new program.

QUESTION: Why correlate the amount of aid with the amount of food stamps?

ANSWER: It is the easiest way to do it.

QUESTION: Is there any reflection of energy need in the food stamp standard?

ANSWER: Food stamp eligibility standards reflect family size in a way which provides a rough proxy for energy need.

QUESTION: Why limit the fuel stamp to a $20 mimimum and a $50 maximum?

ANSWER: There are many one and two person households that qualify for less than $20 in food stamps who still need assistance, and less than $20 is not much help with a fuel bill. The $50 maximum was established to keep the proposal affordable. I would be happy to raise both the $20 and $50 limits if more money were available.

QUESTION: Why doesn't the proposal recognize regional differences in heating needs?

ANSWER: Almost all parts of this country have heating needs of one type or another. I come from one of the coldest states in this country. If I thought it was possible to funnel more money into cold states I'd love to do so. However, this is an expensive and complex problem. I have designed this program at a very basic level and expect that states which have severe cold weather problems will want to supplement it.

QUESTION: Why is there no recognition of special energy costs such as size of home, age of home, type of fuel, etc.?

ANSWER: Again, these are all things that excessively complicate the program. They tend to direct funds from solving the problem to establishing the administrative structure required by the special standards.

QUESTION: How does the program relate to other weatherization programs?

ANSWER: This proposal is designed to assist people with their heating bills. It does not penalize people who take advantage of weatherization programs and it does not reward large users of energy.

QUESTION: Does the proposal include renters?

ANSWER: Yes, they can use the stamp to pay a portion of their rent.

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Statement of Hon. Peter A. Peyser, a Representative in Congress
From the State of New York

I appreciate the opportunity to testify today on the need for immediate action to assure that the households of this nation can afford the basic necessity of heat this coming winter. Let me first commend this Subcommittee and its able chairman, my friend and distinguished colleague Fred Richmond, for recognizing the imminence of our home heating situation and for holding these hearings that I know will result in a workable solution in time for the winter.

As winter draws near, it is becoming clear throughout this nation and particularly in the states of the Northeast -- that there are only two pressing issues: First: Will home heating fuel be available? and Second: How much will it cost?

With regard to the first issue, the U.S. Department of Energy says that it is well on its way to achieving the 240 million barrel target of home heating oil necessary to see us through the winter. But, as we all know, the Department of Energy has a somewhat mixed record for accurate energy supply prediction. My own survey of the home heating oil suppliers in Westchester County, for instance, shows significant cuts in projected supplies for this winter. Inventories are down, allocation for winter months have been reduced, and 57% of the Westchester dealers already have or anticipate supply shortages.

Still, the Department of Energy paints a rosy supply picture and we all hope they are right this time.

But regardless of availability, there is no argument that home heating oil will sky rocket in price this winter. The question of how much will home heat cost has become more salient than the doubts about supply. We owe it to our constituents to asist in paying these expected near-dollar a gallon costs for home heating oil.

On September 5, in testimony before a Subcommittee on Energy, Deputy Energy Secretary John F. O'Leary stated that home heating fuel would cost 50% more this winter than last year. This, said O'Leary, will force many Americans to make a "cruel choice between food or heat." I, for one, am outraged by this perpsective and by

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the thought that we cannot provide for both of these most basic needs of our people.

The New York Times editorialized recently that the poor already spend 13 percent of their income on home energy and advocated swifter, more certain action than the President's heating compensation program.

I am here today to offer my full support for the concept of fuel stamps. Under such a proposal, fuel stamps would be provided to those households alreay eligible for food stamps for the months of December, January, February and March. Since no new certification of eligibility is necessary, this requires no new bureaucracy and could be speedily implemented.

My colleague, Martin Sabo, has introduced a bill (H.R. 5039) to piggyback fuel stamps on to the food stamp program. I support this concept and commend the gentleman for his vision and clear cut approach to the problem.

I would like to offer a suggestion, however, that I think improves the legislation and would save millions in the administration of the program. Legislation I have introduced (H.R. 5237) is identical to the Sabo bill except for two changes. My bill would raise the maximum allowable fuel stamps from $50 to $75 per month per household. The additional costs would be offset by the other change proposed in my bill: Instead of awarding fuel stamps according to how much a household receives in food stamps, my bill would reimburse households for the actual cost of fuel consumed. This method assures that each household will receive the proper amount of fuel stamps instead of the artificial linkage to food stamps.

The concept of fuel stamps has been endorsed by both the Washington Post and the New York Times. It is an idea whose time has come. It is our immediate hope for the relief of thousands of poor households throughout the country.

Thank you for giving me this opportunity to offer my comments.

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Mr. RICHMOND. I want to thank you very much.

Mr. Oberstar, you are here and have a short statement, so we will hear you at this time. We know how interested you are in this entire problem.

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. OBERSTAR. Thank you very much, Mr. Chairman.

I am here because I am a cosponsor of the bill with Mr. Sabo. I strongly support this legislation, and I am here because I represent a district that is only slightly south of the Artic Circle. We are already 500 degree days of normal years, that is, we have had days in which the temperature cumulatively is colder by 500 degrees than it has been in an average cold winter in northern Minnesota.

This June in my home in Chisholm the temperature inside is set at 65 degrees. On several days in June the furnace kicked on. This happened in July, and in August, and this past weekend when I was home so we are expecting again a cold winter. We have drawn down reserves. People have used up what little savings they have on home heating oil.

The price has gone from 35 and 40 cents a gallon last year to well over 90 cents—when you can get it—this year.

I have a lot of rural area in this district of mine, and I have talked with a great many people—widows, widowers, elderly couples living out in the countryside, living alone—and they do not have access to community service. They cannot get home heating oil. They are frightened about what is going to happen this winter.

I am quite convinced that we are going to have reports of people literally freezing to death because they simply cannot get oil. It is either not available or they cannot afford it.

Christmas Eve this last December the furnace developed a problem in our house. The furnace stopped running. The temperature dropped overnight to 45 degrees. The outside temperature was something like 25 to 30 degrees below zero. My folks just somehow made it through the night. They were frightened. They called me in Washington, and I called around and tried to get some friends of ours who were mechanics and heating specialists to come out and fix it. Everybody was out of town. Finally, my brother was able to fix it for them.

I am giving you that as an example of what can happen. In another 24 hours, if they had been living in the countryside instead of in town, that temperature inside would have been zero or lower.

It is going to happen. Unless we provide some orderly means of helping people meet the cost of heating oil and helping them with the supply of heating oil that they need, we are going to have tragedies like that.

The fuel stamp bill will stabilize the situation. It will provide equity in distribution of supplies. It will have a price stabilizing effect, and it will have a stabilizing effect on the supply of home heating oil.

I hope this subcommittee will act, and I am delighted, Mr. Chairman, that you have the concern that you are demonstrating here to hold these hearings and move this legislation along. I commend

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the gentleman from Minnesota whose leadership on this legislation has been evident.

Mr. RICHMOND. Thank you.

Mr. PANETTA. I thank you gentlemen for your testimony. We appreciate it.

Let me address some of the issues involved in the proposal by Mr. Sabo. First of all, I honestly do not see any way, even if we passed this legislation tomorrow, that a food stamp or fuel stamp approach could be implemented this winter. This is for several reasons.

One, it is just the bureaucracy of implementing fuel legislation. We passed a food stamp reform bill in 1976. It took over 2 years for that legislation to be implemented. We went through the regulatory process and the specifications and all of the administrative changes and the gearing up in the various 50 States, and we still do not know what the consequences of the implementation of those reforms are.

We are talking about a fuel stamp program that is going to require staffing up. It is going to require the various legislatures of the States to pass appropriate legislation, particularly if you have a 50 percent sharing on administrative costs. Just the printing of the coupons alone in terms of Government regulations will take almost 4 to 8 months.

Therefore, the question is, first of all, how can we possibly implement a fuel stamp bill for this winter? I do not think it can take place under the present circumstances.

I think that is essentially what the testimony of the Department of Agriculture would be.

Mr. SABO. I am not in a position to judge how quickly it can be implemented. I think your subcommittee knows that better and the folks who have to work with the implementation can judge that better. I do not pertain to be an expert in that.

On the other hand, it is my judgment that the basic thrust that we are suggesting here is an appropriate one for an ongoing governmental program.

I have been disappointed that action did not start earlier on this whole issue within Congress. I thought things were dragging and I think it is fair to say that the likelihood of a bill becoming law quickly is not great.

On the other hand, I would hope that at the same time we would do whatever should be done for this particular winter and that we think in terms of what makes sense for an ongoing program so that a year from now we will not be sitting here at the same time wondering what we were going to be doing for the winter of 1981.

If a program like this can be implemented for the winter of 1980, then I think it would be great.

If it cannot, in your judgment, then I think we have to do something else for the winter of 1980.

At the same time, however, I think we have to move forward as quickly as we can to put a decent program into place. One which makes sense so that it is there for the winter of 1981 and so we do not approach that winter with the same problem—that it is too late.

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I am always fearful that what then happens is that we put into place on an emergency basis a program which is less than ideal.

The crisis intervention program is better than no program at all, but clearly that is not the program to serve as an ongoing program.

I pass on your question, I suppose. I share some of your skepticism as to whether a program could be ready for this winter, but I would urge you to still move forward so that we will not face this problem year in and year out.

Mr. PEYSER. Mr. Chairman, let me respond. I am disturbed by what my friend from California said. I do not agree with him.

I can think of two specific cases over the last 4 or 5 years when the Congress has acted with tremendous speed and in a period of less than 3 months have implemented two programs. I am thinking of two specifically. From start to finish it passed both Houses of Congress and was signed into law.

One was a very important program for the people of this country called "Save the Mustangs." This was the bill in 1973 that came about because a television program was put on showing that we ought to save the mustangs, the wild horses. They were being used for dog food.

Larry Hogan, a former Member of Congress, introduced a bill to save the mustangs. The children of the country rose up in great support.

That bill went through this Congress in 5 weeks from start to finish and passed the House and Senate and the President signed it into law.

I am very concerned about the mustangs. Incidentally, the problem is now that they have so many mustangs in the country that the Department of Agriculture is shipping them around to different places trying to distribute them.

Another example is this. A couple of years ago you remember that we were suddenly faced with what was considered a crisis on the swine flu epidemic. Everybody went wild. We had to do something immediately. The Congress acted overnight and passed the bill. Not only did we have millions and millions of schools organized, and not only did we get the correct serum needed, but we went into a tremendous productive effort and turned the whole program around and got the immunization shots out in less than 2 months.

Therefore, I am not convinced that if this Congress thinks this is an important issue—and I think you think it is—that we can demand that action get going.

Insofar as issuing stamps are concerned, we can take the 100 million or more gasoline rationing stamps that we have been holding in reserve for years and make them fuel stamps and use them for the time being.

I am convinced we can do the job if we want to.

Mr. PANETTA. My sense is that if we are concerned about the implementation of a new program and how it is going to be administered, and who is going to get the stamps, and how they are going to be distributed, and what is the equity involved, and what is the State role in all of this, that these are questions that have to be answered.

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You yourself have seen the experience of the food stamp program in terms of the administration of that program.

Mr. PEYSER. Can't we use the food stamp qualification as a basis?

Mr. RICHMOND. We will hear this morning from the food stamp administration, the Department of Energy, the Department of HEW, and the Department of Agriculture.

I think the experts in this room this morning will be able to let us know if it is possible that the food stamp administration can be used for this worthwhile purpose.

We will get our answers later on this morning.

Mr. SABO. They are the appropriate people to answer. I cannot believe it should be that difficult for them.

Mr. PANETTA. I sympathize with that. We would all like to see it implemented tomorrow, but we also have to recognize the reality of what we are dealing with and not raise false hopes in this country. We are not going to be able to deliver a program tomorrow that will provide a relief.

Mr. SABO. I would re-echo what I said earlier. The experts will have to answer that question, but even if the experts answer should be that it simply cannot get in place for this winter, then I still hope we will proceed at full speed on this type of program so it is there for the future.

Mr. PANETTA. Thank you, Mr. Chairman.

Mr. RICHMOND. Mrs. Heckler?

Mrs. HECKLER. Let me thank the witnesses for their testimony today. As one coming from a very cold climate in Massachusetts, I am aware of the potential crisis that we face this winter. I am deeply concerned.

However, the question here is whether or not we are choosing the right vehicle to address the crisis.

I would like to have you speak to one question that disturbs me very much. There is a question about the fact that we are going to have some very, very critical times in the coming months and many families are going to suffer.

There is a question about the supply of heating oil. There is no doubt that the price will be astronomical. There is no doubt that many families will not be able to heat their homes, and we will have public health dilemmas and emergencies.

One of the first points that concerns me is the question of the middle-income family. I really feel that with the burden of increased costs for home heating oil being as severe as it will be that this is not a program that we can address just for the low-income families. There are middle-income families with four and five children who will be extremely strapped. I would like to know how you address this because under the fuel stamp program since these are families not food stamp recipients, they could be just slightly over the food stamp eligibility level, and yet they would also be ineligible for fuel stamps and yet they too would face a very severe crisis.

How would each of you address that?

Mr. SABO. I indicated in my earlier remarks that I thought that having a program like this did not eliminate the need for crisis intervention programs for what might be unusual cases which would not fit the normal for an ongoing program.

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I also indicated that if it is the judgment of the Congress that we have more dollars available, then our estimate of the program that we have suggested is that it would cost approximately $1 billion for 1 year. In my judgment the program that we have suggested is rather modest. I would like to see us have more dollars for people who are at the bottom of the income scale. They would have the biggest need.

Mrs. HECKLER. I agree with that, but there are also the working poor and there are many families in which people are struggling. They are two-income families with low salaries who fall outside the food stamp eligibility standards. Yet, these people will also be extremely hard pressed this winter.

Is it not rational and just to have some response to their needs? After all, the food stamp program costs $6 billion annually. You are talking about astronomical increases of 17 percent in food prices, and maybe a 40- or 50-percent increase in fuel prices now, how do we meet the needs of the working poor and the low- and middle-income families?

Mr. SABO. To the degree that there are dollars available—and I think the people covered in this program have to be priority No. 1—but to the degree that Congress has additional resources that it might want to put into fuel assistance, I think one needs a different approach for people whose incomes are above food stamp eligibility.

Clearly, there I did not have specific suggestions. I think one area to be considered would be the potential of a tax credit for people who are in that situation. They are filing income tax returns and have income above the food stamp guidelines. That simply gets related to the question of dollars available for this type of program.

Mrs. HECKLER. Is it your estimation that the funding for this program would come from the windfall profits tax, or do you predicate funding on a general appropriation?

Mr. SABO. In my judgment this problem is severe. It should be one of the major priorities of Congress. I think it should come from general revenue. If the windfall profits tax is passed, and if the revenues are there, and if we want to take the dollars from the windfall profits tax, then that is no problem. That is fine with me.

However, I think this type of program needs to be passed and needs to become law, regardless of whether we have the windfall profits tax or not. If windfall profits tax does not exist then the funds should come from general revenue.

Mr. OBERSTAR. I think the purpose of this legislation is to deal with the problems of those people who have no way of resolving their own economic difficulties. We have the elderly on fixed income, the disabled, and low-income families, and you do not have two people working and bringing in income.

I sympathize with the financial pressures on middle-income families. I have quite a few of those in my area as well. They are paying a higher price for home heating oil, but they are a little better able to respond to that need than the social security folks who have no way of getting an increase. They might depend on a veteran's pension.

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Mrs. HECKLER. I agree that those people who are on pensions are in the most serious situation from a financial point of view, but I also know from my own knowledge of my constituency that in large families where there is a double income at the low pay scale level those people are struggling too and they will face a crisis. I think that somehow this has to be addressed.

Let me go into another question. We have the question of the administration of the food stamp program. We have been mired in the administrative difficulties of implementing a fair system. You know how difficult it is on the floor of the Congress to gain support for the basic food stamp program because of the snafus and foul-ups of the program itself.

We have the same administrative problems if we piggyback fuel stamps on to the basic food stamp program which has its own inherent flaws that have not yet been corrected.

One of the questions that I think is immediately apparent is the question of a black market in fuel stamps. How could that be avoided?

Mr. PEYSER. I appreciate your concern. I think one of the things I am suggesting in my amendment of Mr. Sabo's legislation is that the recipients of this will present their fuel bills or their rent bills showing the fuel costs at the time they receive their fuel stamps. In other words, there will be a presentation of a receipted bill which will go to the maximum of $75.

This means these people have actually spent that money. This is the most effective way. The reason I put it in was simply to avoid the very thing that you are concerned about which is that the fuel stamps will become a trading point or a cash-in-hand kind of a thing.

This, I think, would avoid that.

Mr. SABO. I suspect there might well be certain problems with the administration of food stamps. It is also fair to say, however, that the food stamps accomplished their chief goal. The goal of the food stamp program was to make sure that people did not go hungry in this country. The people were given the opportunity of having a decent diet.

I think the food stamp program, regardless of what there may be in terms of administrative problems, has been a substantial success.

I expect one is going to have certain administrative problems with any large scale program. I think one is better off building on what exists and dealing with whatever administrative problems do exist rather than starting a whole new eligibility list or system where I expect you would again go through all the problems of how to administer and how to handle it fairly and equitably.

In my judgment, it makes more sense to build on what is there rather than to make all the same mistakes over again in some other new program.

Mrs. HECKLER. I feel the food stamp program does serve a real need in many areas of the country and in many lives, but there is no doubt—and the record will show it—that we have been mired in a bureaucratic nightmare which has not yet been put into order. Therefore, this program has problems within itself which have not been resolved.

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I am concerned that by piggybacking the fuel stamp program onto a program that has not ironed out its own kinks and is the subject of such derision in many areas of the country in addition to this Congress, that I wonder whether we can fashion an equitable and effective program.

I am also disturbed about this. I believe we need emergency assistance. I believe the Government can act and should be made to do so for this winter's prices, but I am concerned about those who will not benefit like the SSI recipients and others. I am worried about the delivery system because the current system is already inadequate and inequitable. There are many people who are subject to criminal penalties because they ineligibly received food stamps and now are having to pay back. You are compounding the error if we base this program on an extension of the existing one. I do not see the administrative implementation of this as being fair.

Mr. OBERSTAR. I would suggest we take all these administrators down here and stick them up in northern Minnesota when it is 30 below zero in an unheated building, and they will get the fuel stamps moving awfully fast.

Mr. RICHMOND. You are absolutely right. Mr. Nolan?

Mr. NOLAN. Mr. Chairman, I have one question that I want to ask Mr. Sabo.

Under your program the value of the fuel stamps would be equal to the value of a person's food stamp entitlement. On the surface that does not appear to deal with the problem of greater or lesser need in terms of the weather conditions throughout the various regions of the country.

I am sure that you have considered that aspect. How, in your own mind, do you resolve that? Do you just recognize that as a slight inequity or problem in the program? How do you deal with that?

Mr. SABO. I would love to have Minnesota get more per person than California, for example. However, I also recognize that a substantial portion of the Congress does not come from the northern tier of the country. There is a heating problem. There is an energy cost problem throughout the country. It may not be related to heating in some parts of the country as it is in Minnesota, but they may well have additional costs in other areas that we do not recognize in this program.

Therefore, in my judgment, in terms of the reality I think that we need to broad-base this program. It makes sense, then, to have a fairly uniform program.

The State government of Minnesota, for example, would have to supplement the national program. I suspect that is true in New England and in much of the northern part of the country. It might not be the case in the southern or middle tier of the country.

However, I think part of the problem is that even within States within different tiers of the country there is a variation that can be substantial. The difference between southern Texas and northern Texas, I suspect, would be substantial. I am not sure that on a national basis we can have a program within subdivided States. I think it would just be difficult to do.

I think it would be a difficult problem to make the appropriate distinctions, so it might be better on a national level to move with

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some uniformity with the knowledge and appreciation that it may not be perfectly equitable.

The States, of course, will have to do something and this is particularly true of the northern tier of the country where they will have to supplement the program.

Mr. NOLAN. Thank you very much.

Mr. RICHMOND. Mr. Harkin?

Mr. HARKIN. You heard my opening remarks about the fact that the oil companies have increased their profits from 7 cents a gallon to 16 cents a gallon for heating oil. It may go as high as 20 cents a gallon. In New York it is up to $1 a gallon.

I contrast this with food. You do not have a few people controlling it.

Are we just taking taxpayers dollars and subsidizing increased profits? I know the poor people are hurting. I want to get fuel stamps also, but is this a way of rewarding oil companies with their profits?

Mr. SABO. My response would be this. While the Congress quarrels over the appropriate method of handling the pricing, and the regulations, and the control or the decontrol of various fuel products, the bill comes due for a poor person. They have to pay. I think we need a program in place to take care of that significant problem.

You have the poor person who cannot pay his or her bill. My bias is to agree with you. Obviously, there are others in Congress who would disagree. I do not know how quickly we will resolve this issue, but the problem of the unpaid bill is there. We have to meet it.

Mr. HARKIN. I understand that, but I wonder if perhaps the oil companies would not really get behind this proposal because then it would relieve the pressure on us to do something about those problems.

Mr. PEYSER. The Democratic Caucus this morning is trying to address that issue on the control of the price of middle distillates. This is to the issue you are bringing up. It is valid.

It would be my hope that you and others would not present this issue in that way. If it gets into this issue it will be stuck and these people will not be warm.

I know you recognize this real problem. I think the issue you bring up should be addressed and we should do something about it but it ought to be after we get the fuel stamps out to these people.

Mr. SABO. It would be my judgment if the profits were zero there would still be a significant problem for the poor people to pay their fuel bills.

Mr. HARKIN. I understand that but, again, if you do this then maybe they will want to raise it a little bit more. That bothers me.

Thank you, Mr. Chairman.

Mr. RICHMOND. I think both Mr. Harkin and Mr. Sabo are right, but we will worry about that later.

We will have to recess at this moment. As soon as we get back we hear from the administrators of the agencies involved in preparing this fuel stamp program which is basically an increased allocation of the food stamp program to help people with their heating needs this winter.

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Mr. Oberstar, Mr. Peyser, and Mr. Sabo, we want to thank you for your testimony.

The subcommittee will stand in recess.

[Recess taken.]

Mr. RICHMOND. The subcommittee will resume its sitting.

We want to welcome now Mr. James R. Janis, Deputy Assistant Secretary for Planning and Evaluation, Department of Energy, accompanied by Mr. Norman Thompson and Mr. Albert Linden, Jr.

Mr. Janis, it is a pleasure to have you here, please proceed.

STATEMENT OF JAMES R. JANIS, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF ENERGY, ACCOMPANIED BY NORMAN THOMPSON, SENIOR PROGRAM ANALYST, OFFICE OF PLANNING AND REGULATORY PROGRAM EVALUATION, AND ALBERT H. LINDEN, JR., DEPUTY ADMINISTRATOR OF THE OFFICE OF ENERGY INFORMATION

Mr. JANIS. Thank you, Mr. Chairman and members of the subcommittee.

I am pleased to appear before you this morning to discuss the energy problems of low-income Americans. I appreciate this opportunity to talk with you about a subject which deeply concerns the Department of Energy, namely, the impacts rapidly rising energy prices are having on the poor.

In his April 5 energy address, the President announced his decision to decontrol crude oil, an important step toward stimulating the production of domestic energy sources and reducing our reliance on increasingly expensive and unreliable imported petroleum. The President realized that decontrolling crude oil would result in some increase in the prices of petroleum products.

While these increases were expected to be small, they would have important impacts on this country's low-income population—people whose budgets are already stretched by increasing food, housing and medical costs. The President therefore announced an $800 million program of payments to low-income households to compensate them for the price increases expected to occur because of crude oil decontrol.

However, the June OPEC price decisions which increased the price of crude oil by about 40 percent, made it clear that the program initially proposed would not adequately assist low income families in dealing with the much larger price increases caused by the Iranian situation and OPEC price increases. The Department of Energy, along with other agencies, recommended that the program be increased.

In his July 15 address, the President announced an expanded program of low-income energy assistance. The President seeks $1.6 billion to be made available to low income families this winter. This will be increased by $2.4 billion in fiscal year 1981. This program triples the original proposal of $800 million.

The Department of Health, Education, and Welfare which is also testifying today, will administer this program over the long term.

While I will defer to Mr. Palmer of HEW for a detailed description of the program, I would like to reemphasize the Department of Energy's concern about the effects of rising energy prices on the

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poor and our support for the President's proposal to use windfall profits tax revenues to deal with this very serious problem.

I would like to particularly stress our concern that an adequate program of energy crisis assistance be in place and working this winter. The administration has proposed a $400 million program. This will allow us to assist more families than in the past and, more importantly, to provide the larger amounts of aid which may be necessary due to increased fuel costs.

In the past, energy crisis assistance was capped at $250 per family. The administration is proposing a higher ceiling—$400 per household—with funding at the $400 million level requested. This is double last year's program.

I would like to discuss the magnitude of the problem with you and provide some of the statistics which you and the staff asked us to provide. Energy price increases in recent years have been very significant. Between 1972 and 1978, the Consumer Price Index increased at an annual rate of about 7.7 percent. Electricity prices increased at an annual rate of 9.4 percent; gasoline at 10.5 percent; natural gas at 13.6 percent; and, heating oil at 16.9 percent.

Recent increases in oil prices, as you are well aware, have been even greater. Heating oil prices averaged 54 cents per gallon last winter. This fuel now costs about 80 cents per gallon in many areas of the country—an increase of about 50 percent.

We expect that the price of heating oil will not continue to increase as rapidly this winter as it has in the past few months, as the supply situation we hope stabilizes and oil companies respond to the President's request for price moderation and downward flexibility.

I think it is important to point out that we are not only hopeful that Texaco halts the line on energy prices but any reduction in prices would be very, very welcome. I think that is an important addition that we are stressing in our current meetings with the oil companies.

However, even at present prices, the roughly 1.7 million poverty households that heat with oil will see an added cost of about $225 this winter, relative to last year's prices. This is based on an average consumption of 850–900 gallons, the average consumption of a poverty household. This is an average figure. Many families, particularly those in colder areas of the country, will see a greater increase.

Of course, families which use less than the average amount or who take conservation measures will see less of an increase.

Also, if prices continue to go up, or if this winter is colder than normal, the burden on low-income households will be even greater. While increased conservation will help mitigate this impact, the increased price of heating oil is a matter of grave concern.

In addition, the prices of other sources of energy have also increased, although not as dramatically as heating oil. The typical poverty household using natural gas is likely to pay about $40 to $50 more in 1979 than in 1978. For electricity, the average poverty household will see an increase of about $15 to $20. This also varies by region of the country. In addition to these direct price increases, increases in energy prices will show up in the prices of other products.

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The rapid increase in heating oil prices relative to other fuels is one of the reasons the administration has proposed weighting heating oil use heavily in distributing energy crisis assistance program funds.

The use of various fuels for heat varies widely. Oil is used for heat in some 16 to 17 million households—about 22 percent of the total. More than one-half of the oil-using households are located in the Northeast, where 56 percent of the homes are heated with oil. In the New England States, this fraction is even higher.

By contrast, in the Midwest and South, only about 15 percent of all homes use heating oil. Oil heats only 6 percent of homes in the West. Natural gas is the predominant heating fuel in most parts of the country, heating about 56 percent of all U.S. homes. In the Midwest and West, 70 percent of all homes are heated with natural gas.

The average American family spent about 5 percent of its disposable income on energy for home use in 1975—the latest year for which we have complete and valid data. Home fuels are defined as natural gas, electricity, heating oil, propane, kerosene, wood, and coal. Gasoline is not included.

If we include gasoline, total energy expenditures represent about 10 percent of the average family's income. This is also about the weight given to energy expenditures in computing the Consumer Price Index.

However, low-income families usually spend a much higher proportion of their incomes on energy. Households with incomes below $5,000 devoted about 13 percent of their incomes to home fuels in 1975. If we include gasoline, the proportion rises to 18 percent.

Of course, energy prices have increased significantly since 1975—faster than, as I said earlier, the Consumer Price Index and faster than incomes at this level. The percentage of income devoted to energy this year may well be higher than these figures indicate.

At the very lowest end of the income spectrum, energy expenditures may take up an even larger share of income. Some analysts have estimated that households with incomes below 75 percent of the poverty level spend an average of 30 percent of their incomes on energy. In cold climates where energy expenditures tend to be concentrated in winter months, the fraction of monthly income spent on energy by some households is extremely high during the peak heating periods.

Regional variations in energy expenditures are also very important. While the average family with an income below $5,000 spends 18 percent of its income on energy, including gasoline, a family in the same income bracket in New England spends 24 percent. By contrast, energy expenditures for this income group are only 12 percent of disposable income in the West.

I would like to summarize by discussing what in our view some of these numbers mean in real, more human terms. Even though families receiving aid from indexed assistance programs, such as social security or supplemental security income, will receive higher benefits because the rising cost of energy is reflected in the CPI. There is no doubt that higher energy prices, led by the very rapid increase in OPEC oil prices this year, are going to strain the budgets of many low-income families. People with low incomes,

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particularly the elderly who have relatively less capacity to conserve energy than the rest of us, are going to be forced to make very painful adjustments unless we provide assistance to help them meet these higher energy prices.

You asked us to address the various energy stamp proposals in our testimony. I will defer to my colleagues in HEW and the Departments of Energy and Agriculture for their expert opinions on this subject.

The Department of Energy feels that the proposed special energy allowance program offers at least two major advantages over energy stamp proposals. First, special energy allowances can be put into effect quickly after enactment; fuel stamps, we understand, entail a significant start-up time. Second, the cash payments under the special energy allowance program are not tied to energy consumption and provide a direct incentive to conserve energy; energy stamp assistance could be used only to purchase energy and might, therefore, encourage consumption.

For these reasons, DOE cannot endorse the energy stamp concept. We ask your support for the prompt passage of the administration's proposed program of special energy allowances.

Even with this cash assistance, Mr. Chairman, many families may find that the increased cost of energy, particularly the cost of fuel oil, will be more than they can pay, especially during the winter months. While targeting cash assistance during the winter months in most parts of the country will help, we need to assure that a safety net, in the form of emergency assistance, is also available to help people in life- or health-threatening situations.

Prompt action on the Labor-HEW appropriation bill which will provide $250 million right away to begin a program of energy crisis assistance this winter, is urgently needed. Prompt action on the administration's proposal to increase the level of funding for this program to $400 million is also needed if we are to assure that adequate funds to help people cope with energy-related emergencies are available this winter.

Again, Mr. Chairman, my colleagues and I appreciate the opportunity to appear here today. We especially appreciate the opportunity to be heard on this issue which is a very serious concern to the Department of Energy.

I would be pleased to try to address any questions that you might have.

Thank you.

Mr. RICHMOND. Thank you, Mr. Janis.

I propose we hear from HEW and Agriculture and then question the three of you as a panel, if that is all right with you.

We will now hear from Mr. John Palmer, Deputy Assistant Secretary for Planning and Evaluation of the Department of Health, Education, and Welfare, accompanied by Dr. Michael C. Barth and Mr. John E. Todd.

You may proceed, Mr. Palmer.

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STATEMENT OF JOHN PALMER, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY ROBERT BYNUM, DEPUTY COMMISSIONER, SOCIAL SECURITY ADMINISTRATION, AND JOHN E. TODD, DIRECTOR OF INCOME SECURITY POLICY/ANALYSIS, OFFICE OF ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

Mr. PALMER. Thank you, Mr. Chairman.

With me today is Mr. Robert Bynum, the Deputy Commissioner of the Social Security Administration. SSA would have responsibility for administering the program under the President's proposal.

I am pleased to be here this morning to discuss plans for helping low income people meet the rising cost of fuel. As you know, I am John L. Palmer, Deputy Assistant Secretary for Planning and Evaluation, Department of HEW. In addition to Mr. Bynum, also with me today is John Todd, Director of the Office of Income Security Policy/Analysis.

In April, President Carter announced his comprehensive energy policy. One essential component of that policy is the decontrol of domestic oil prices to increase the incentives both for conservation and for greater production of oil in America. However, the President also recognized that decontrol would have a disproportionately hard impact on the poor and on elderly persons on low and fixed incomes. These people are least able to pay higher prices or to make substitutions in the amount and type of energy they use. Accordingly, the President proposed an $800 million program to assist the low-income population in meeting higher energy prices.

Subsequent to the President's decontrol announcement, the OPEC countries announced a 40 percent increase in oil prices. In addition to the obvious impact of this increase on energy prices, the higher world price of oil caused the effect of decontrol on energy prices to be higher as well.

In order to alleviate both the impact of decontrol and the effect of the OPEC increases, the President announced in July that he would recommend to the Congress an increase in the size of his low income energy assistance program from $800 million a year to $1.6 billion for this winter and $2.4 billion a year beginning in 1981. Last week, the President announced the details of his proposal.

The President's low income energy assistance program has two parts: special energy allowances and energy crisis assistance.

The special energy allowances program will provide cash payments to meet the increased burden on low-income households created by higher energy costs. The energy crisis assistance program will make funds available to States for meeting life- or health-threatening emergency or crisis situations.

Since this winter is almost upon us, the President's proposal contains provisions for implementing the allowance and crisis programs in a slightly different manner for this year than is desirable in a longer run, so that assistance can be provided in the most timely fashion.

Regarding energy assistance this winter, low-income individuals or families facing an emergency due to exceptionally high energy bills or other energy-related causes will be able to receive assistance this winter through the Community Services Administration's

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energy crisis assistance program. Local delivery systems specified by the Governor will distribute aid in a variety of forms appropriate to the needs of families including direct payments and assistance in kind such as blankets and space heaters.

This program was funded at $200 million in fiscal 1979. We are seeking a total of $400 million for fiscal 1980. It is important that this funding be made available as soon as possible. In the past, the program has been hampered because funds were not available until the heating season had virtually ended.

Of this $400 million that is being requested, $250 million is already included in the fiscal 1980 Labor/HEW appropriations bill. The administration is also requesting an additional $150 million in the fiscal year 1980 supplemental bill which was sent to Congress this week. Although this $400 million initially would be funded from general revenues, we are requesting that the general fund be repaid from the energy security trust fund once that is enacted.

The $1.2 billion in special energy allowances for this winter would be provided through two existing programs—the supplemental security income program for the low-income elderly and disabled persons, and aid to families with dependent children for certain low-income families. We are using these programs because they can distribute aid in a most timely fashion and because they target assistance to persons who have been determined to be most needy. Thus, this winter, approximately 4 million SSI recipients and 3.6 million AFDC families would automatically receive an allowance, made in one payment, in addition to their regular assistance check.

These cash payments are intended to alleviate the burden placed upon low income households by rising energy costs and therefore would vary in amount based on the severity of the weather in each State. We expect the average payments to be about $100 for a single person and $200 for larger households.

As with the emergency assistance program, the timing again is very important. We estimate it would take 80 days in the case of the SSI program and 90 days in the case of the AFDC program to issue the checks once Congress has enacted the program. Therefore, we feel that the latest date for such action would, in order to get the payments out in time to be of considerable assistance this winter, be in early October.

The programs for fiscal 1981 and beyond would be structured similarly to this winter's programs. The emergency assistance program's administrative responsibilities would pass over to HEW and a continued special allowance program would be expanded in the following winters to reach the entire low-income population and not simply SSI and AFDC recipients since there would be sufficient time to put such a program in place.

I would like to submit for the record a detailed fact sheet and program specification for this program.

Mr. RICHMOND. Without objection, the record will remain open for the purpose of inserting the material referred to by Mr. Palmer.

[The material submitted by Mr. Palmer is held in the subcommittee file.]

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Mr. PALMER. Beginning next year, fiscal year 1981, energy assistance would be provided through expanded programs to insure that assistance is available to all low-income families. The entire low income energy assistance program would be funded at $2.4 billion per year by the energy security trust fund. Any program of this magnitude presents a substantial administrative challenge. To implement it effectively will require careful preparation and relatively simple program design. I shall briefly describe the general characteristics of the program now, since the fact sheet and program specifications are available.

The energy allowance program will provide cash allowances for low income households at a funding level of $2 billion per year, up to 10 percent of which may be used to pay administrative costs. A household can qualify to receive payments through one of two ways; as an SSI or AFDC recipient, or as a household with income below 125 percent of the poverty line.

The amount of each household's allowance will vary depending on the projected number of households which will receive aid and the low income population's need for home heating as measured by heating degree days in a household's State. If a reliable index of increased expenditures for home energy can be developed on a State-by-State basis, that measure would be used in place of heating degree days. Furthermore, a State will have the option to vary the amount and timing of payments within its boundaries if the recipients' energy needs merit such variation. The amount of a single person household's allowance will be half of that paid to a household with two or more persons. As with this winter's program, we expect the average payment will be about $100 for a single person and $200 for larger households.

Persons qualifying through SSI will automatically receive their allowances from the Federal Government. Other eligible people will be served through State and local social service departments.

States could request the Secretary of HEW to approve an alternate distribution mechanism, such as, for example, vendor payments. If the Secretary approves an alternate structure as an effective and efficient way to aid the poor, States could establish such programs. Participation by recipients would be optional.

With regard to the energy crisis assistance, starting next year, HEW would administer a revised energy crisis assistance program consisting of grants to States. Federal funds of $400 million from the energy security trust fund would be made available each year; $300 million in nonmatching funds and $100 million for 50–50 State matching. Thus, $500 million per year would be available if all States take full advantage of these matching funds. We expect that most Governors will administer this program through their local welfare offices.

The amount of funds allocated to each State would be determined by an allocation formula based on the number of low income households in the State, the State's severity of weather as measured by heating and cooling degree days, and the amount of fuel oil consumed by the low-income population in the State. Ten percent of a State's allocation would depend directly on the cooling needs of elderly poor persons in the State.

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By using this formula, we are roughly targeting crisis assistance funds to those States with the greatest energy needs and the largest low income population. The States will determine the eligibility standards within the Federal restrictions that a household's income may not exceed 150 percent of poverty and its liquid assets must meet limits the same as in the food stamp program. As with this winter's CSA program, the amount and type of energy crisis assistance a household would receive will depend on the State's program and the household's particular needs.

Assistance under both the energy allowance program and the energy crisis assistance program will not be counted as income in any other means-tested programs.

In summary, we believe that the administration's program provides an efficient and effective way to help make up for the purchasing power lost by low-income households because of rising energy costs, and to meet emergency needs.

Several bills have been submitted to Congress for the purpose of establishing a fuel stamp program. The objective of such a program would be the same as that of the administration's special energy allowance program—to provide a benefit available to all low income households to alleviate the impact of rising energy prices while using existing payment mechanisms where possible. A fuel stamp program, however, presents several difficulties that are absent from the administration's proposal.

Providing for the issuance of redemption of fuel stamps would require substantial administrative efforts. In view of the urgent need to have a program in place within the next few months, this problem assumes tremendous importance. Both the printing and distribution of coupons would need to be executed. All suppliers, including a large number of landlords, would have to be certified in order to begin the process of countering a potentially large black market in coupons. The significant time involved in all of these activities make it virtually impossible to have the program functioning this winter, making a fuel stamp alternative out of the question for this heating season.

The problems associated with a fuel stamp program are in no way limited to this winter. If eligibility for fuel stamps were tied to participation in food stamps, as in Representative Sabo's bill, H.R. 5039, a large number of poor households would be excluded from the fuel stamp program. In particular, many of the elderly and disabled poor who participate in the SSI program would not be eligible for fuel stamps.

Even if fuel stamp eligibility were not conditioned on food stamp participation, it is likely that many poor households would still not receive fuel stamps. The low participation by the poor in food stamps, particularly among the SSI recipients, may reflect the fact that some people—particularly the elderly and the handicapped—are reluctant to use any kind of stamps because of the possible stigma associated with them. There is no reason to expect that they would feel differently about fuel stamps.

Purchases other than home heating reflect a significant portion of the effect of higher energy prices. Gasoline prices are obviously rising rapidly, as are the prices of many goods which use energy in their production process. The current fuel stamp proposals do noth-

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ing to alleviate the problems by these increasing prices. The administration's proposal, however, would allow households full flexibility in allocating assistance among these various needs.

A further difficulty with the in kind nature of fuel stamp benefits relates to the heating needs of renters. Providing in kind benefits to households which do not pay for their heating needs directly, such as renters, creates tremendous administrative complexity. The President's proposal, by providing assistance in cash, avoids this problem entirely.

In the first few years of a fuel stamp program, there would be substantial administrative startup costs. For a program that may last only a few years, the initial administrative costs and difficulties may not be justified. And, it is quite possible that a special energy assistance program would be something less than permanent. The need for such a program—the recent large jump in fuel prices—is subject to fluctuation and change. Indeed, the administration's proposal extends only until fiscal year 1983.

Beyond that, it is possible that a more permanent structure for this program may be used. It may have a different form than the one that is currently being sought. In contrast, it should be noted that for a permanent program such as food stamps, these costs and problems are likely to have been minimized after 15 years of operation. Therefore, the benefits of the food stamp program easily outweigh these earlier difficulties.

The food stamp program is currently fulfilling a major responsibility of providing assistance to low-income families in meeting their basic nutritional needs. The program was recently reauthorized and improved. It is accepted and it is performing well. This program should not be given the additional responsibility of providing for nonnutritional needs. Such a task would be better assigned to other programs and structures.

We believe that the responsibility for helping low-income households with their energy needs will be fulfilled by the combination of special energy allowances and crisis assistance, as proposed by the President.

Finally, it should be noted clearly that the fuel stamp program would in no way be a substitute for the emergency assistance portion of the President's proposal.

Thus, although both the administration's energy assistance program and a fuel stamp program have similar objectives, we feel that the fuel stamp approach has several significant drawbacks. Therefore, the goal of helping the low income population cope with higher energy prices—a goal that we all share—can be best pursued by the President's program.

We look forward to working with you, Mr. Chairman, and members of this committee as we all grapple with this important problem.

Thank you.

Mr. RICHMOND. Thank you, Mr. Palmer.

I totally disagree with about half of your testimony, and I want the opportunity to question you, but we will hear from Mr. Greenstein first and then have you, Mr. Janis, and Mr. Greenstein as a panel, if that is agreeable.

Mr. PALMER. That is fine.

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Mr. RICHMOND. Our next witness is Mr. Robert Greenstein, Administrator, Food and Nutrition Service, U.S. Department of Agriculture.

STATEMENT OF ROBERT GREENSTEIN, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY ROBERT FERSH, ASSISTANT TO THE ADMINISTRATOR OF THE FOOD AND NUTRITION SERVICE, AND BRUCE CLUTTER, ACTING DIRECTOR, FEDERAL OPERATIONS DIVISION, FOOD AND NUTRITION SERVICE

Mr. GREENSTEIN. Thank you, Mr. Chairman.

Mr. RICHMOND. Mr. Greenstein is also the single most knowledgeable person of the food stamp program in the entire world.

Mr. GREENSTEIN. I do not think so, but I thank you, Mr. Chairman.

I am pleased to be here this morning to represent the Department of Agriculture to discuss an issue of utmost importance—assistance to low-income households to help them meet rising fuel costs.

I am Robert Greenstein, Administrator of the Food and Nutrition Service. Accompanying me are Robert Fersh, who serves as Assistant to the Administrator of FNS, and Bruce Clutter, who is Acting Director of the Federal Operations Division of the unit within FNS that administers the food stamp program.

Most of my testimony will address H.R. 5039, a fuel stamp bill introduced by Representative Sabo. I understand that you may have questions about several other proposals, including H.R. 5265, introduced by the chairman. We stand ready to assist your deliberations in any way we can.

I will first discuss the feasibility of a fuel stamp program this winter. Your letter inviting us to testify this morning asked us to comment on the feasibility of joining a fuel stamp program to the current food stamp program for the winter of 1979–80.

The most direct comment I can make on the subject is that a joinder of these two programs is simply not feasible for this winter. In fact, we believe that only prompt passage of a fuel stamp bill now would allow sufficient time to organize a program that could be up and running for the winter of 1980–81. Our best estimate of the leadtime needed to set up a fuel stamp program is 9 to 12 months.

First, we would need to hire and organize a staff in Washington to plan the program. At a minimum, it would take several weeks to do this.

This staff would then have to quickly develop the regulations and specifications for State plans which, according to the Sabo bill, must be filed and approved prior to the operation of the program in any State. This process alone could easily take 2 to 3 months.

Let me add at this point that I do not really know just how long it would take the States to get their end of the fuel stamp program off the ground. In some States it might take a special legislative session to authorize the program and appropriate the funds necessary for a State to run the program.

The Sabo bill envisions a 50 percent State share of administrative costs, and that would have to be appropriated by State legisla-

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tures. Certainly, States would have to hire a substantial number of new staff to develop State plans and detailed program instructions to provide for the proper distribution of fuel stamps throughout the State and to monitor the operation of the program to insure that only those persons authorized by law utilize the stamps.

In addition to the chores already mentioned, the Federal Government would have several other tasks. They would also be time consuming. We estimate it would take a minimum of 45 days to make preliminary decisions as to coupon design and denomination, the manner in which they should be printed, and the manner in which they are to be packaged and shipped. Also security arrangements would have to be made with the Department of the Treasury and the Federal Reserve System to assure the integrity of the program.

In order to procure fuel stamps for the Government under the best possible terms, an advertised procurement would probably be determined to be the most cost-effective procedure. The solicitation-bid-award cycle would take from 60 to 90 days.

After awards are made to the lowest possible bidder, we estimate it would take an additional 4 to 8 months before the contractors could actually acquire the materials necessary for printing, prepare the printing plates, print the coupons, and move them into sealed boxes in sufficient quantity to build up an initial shipping inventory to allow the program to get underway. Of course, the shipment of coupons across the country would have to follow.

Obviously, there are a great many other detailed chores that I have failed to mention. We would be glad to provide the subcommittee with more detailed information on the startup if the subcommittee would so desire. I did want to provide some sense of the logistics of setting up a fuel stamp program. It is clear that it is simply not possible to organize it for this winter.

I will now comment on H.R. 5039 in order to provide you with some idea of what we believe H.R. 5039 will cost and some of the other problems we believe it would pose. We estimate that the fuel stamp program would cost about $1.375 billion in fiscal year 1980, if it could be implemented. Or basically, in 1981, that would be the amount of needed dollars. This includes administrative costs of $50 million and benefit costs of $1.325 billion.

This estimate assumes that the promise of fuel stamps would also bring about 1.13 million new people into the food stamp program. As a result, we estimate that food stamp costs would also go up by about $310 million in fical year 1980. Thus, the total combined food and fuel stamp costs of this bill would be about $1.7 billion.

Aside from the issue of leadtime needed to implement a fuel stamp program, there are several other comments we would like to offer on H.R. 5039 and why we think for future years this is really not the best way to meet the very pressing energy needs of low-income people in the United States.

First, H.R. 5039 would appear to be inequitable because it provides no weighting of benefits based on varying weather conditions throughout the country. Low-income persons in States with very cold weather, as in the Northeast, would receive the same amount of assistance as those in States with moderate weather.

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Two, H.R. 5039 would provide assistance only to those persons participating in the food stamp program. There are many low-income people, including many elderly, who do not participate in the food stamp program for a variety of reasons, including the stigma of using stamps. It is possible that the potential of receiving fuel stamps could attract much greater food stamp participation. As we noted, if this does occur, the cost of the food stamp program itself would increase.

Three, H.R. 5039 fails to address the need, and it is a very important need, to certify which fuel dealers are eligible to receive and redeem fuel stamps and in what manner. If substantial abuse and a rampant black market are to be avoided, there must be controls on who can accept and redeem stamps.

We currently certify about 250,000 food stores nationwide to receive food stamps, and we employ a full-time investigation staff that does thousands of compliance investigations each year to assure program integrity. In fact, Mr. Chairman, about one-fifth of the entire personnel or man hours of the entire Food and Nutrition Service covering all programs—child nutrition as well as food stamps—goes into retailer-wholesaler compliance work in the food stamp program. It is a massive undertaking.

While far fewer fuel dealers would have to be certified for participation, we feel strongly that such a procedure would be necessary. Otherwise, there would be no way to assure that only fuel providers were redeeming the stamps.

Four, we are concerned about the fact that tenants would be allowed to give their fuel stamps to their landlords if it is the landlords that pay fuel costs directly and then reflect them in the rent.

On the one hand, obviously, this would be necessary. If you left those people out, they would get socked with higher rent bills and would not be getting any assistance. But, on the other hand, what that would lead you to is a much greater possibility for abuse and more problems in controls. While we appreciate the need to protect low-income tenants whose fuel costs are included in their rents, we do believe that this provision opens the program to abuse. In food stamps, only the recipient can utilize the stamps for food.

How would it be possible for fuel companies or the Government to assure that it is only low-income people or their landlords who are paying fuel bills with stamps? We now have another layer of perhaps hundreds of thousands of landlords who also get fuel stamps as intermediaries. We believe the allowing of landlords to use the stamps would involve another whole layer of people in the program and make the chore of monitoring the program immensely more difficult.

Five, H.R. 5039 allows fuel stamps to be utilized to pay heating bills only. In many instances, such as when all utilities are electric or gas, it is difficult, if not impossible, to determine which portion of a utility bill is for heating purposes only.

Six, since fuel stamps could be used only for fuel, it can be argued that the stamps provide a disincentive to conserve fuel. It is possible that some persons could receive an amount of fuel stamps exceeding their minimum needs and the availability of fuel stamps could encourage them to spend more on energy than they need.

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These are our concerns with Mr. Sabo's bill and the fuel stamp approach. As you can see, we really do not think this is the right way to go.

I turn now to other alternatives for this situation. One alternative which has been raised to Mr. Sabo's approach would be to simply raise food stamp allotments in areas where energy needs are greatest. The theory would be that by providing more food stamps to low income individuals, cash which otherwise would have been spent on food would be freed up for use on energy needs.

It is possible that this approach could benefit many Americans and it does not pose the serious administrative problems that the fuel stamp approach does. However, such an approach has several serious flaws.

The poorest of the poor now receive a full or nearly full monthly allotment of food stamps. Providing more food stamps to them will probably not free up much, if any, cash for use on energy needs. It may simply provide more food stamps than they need for food, without in any way helping them pay their fuel bills.

A very poor family could end up buying more expensive cuts of meat but still not be able to pay its fuel bills. This could open the food stamp program to criticism over the price of food the recipients purchase while not addressing the very real problem that poor people face in paying their fuel bills. In some circumstances it could create possible incentives for more trafficking in food stamps to trade them for cash to be able to pay their fuel bills.

Also, simply increasing food stamp allotments would not answer some of the shortcomings of fuel stamps mentioned above. It would limit fuel assistance to those families on the food stamp program. Again, not all low income people receive food stamps and the participation of the elderly is particularly low. In addition, in Massachusetts, California and Wisconsin SSI recipients do not receive food stamps, so they would not get anything. It would also continue assistance in the form of stamps, which some people believe to have a stigmatizing effect on the poor, particularly the elderly.

Finally, it would significantly increase the cost of the food stamp program. Our estimate on H.R. 5265 is an additional cost of $1.5 billion for fiscal year 1980. As you know, we are facing a very real problem with the food stamp cap and this would increase food stamp costs when the cap is still there. If we did not have the cap lifted accordingly, we would simply run out of money earlier in the year.

A prime alternative to the use of fuel or food stamps to supplement income is the provision of cash. This approach is embodied in the President's proposal, and we strongly believe it is the best approach. The use of cash seems particularly appropriate in fuel assistance because people's fuel needs vary so much according to climate, the type of fuel they use, and the type of home they have.

Cash also has the advantage of helping low income families offset the rising costs of energy which are not directly related to home heating. For example, many low income rural persons must travel long distances to work and are undoubtedly hard-pressed to meet gasoline expenses. And the costs of many other necessary products are also higher because of the rise in oil prices.

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Another obvious benefit of cash is that it would provide no incentive to utilize energy unnecessarily as fuel stamps may. While there is some concern that the provision of cash could mean that some persons would spend the money on items other than fuel costs, we do not believe that this should be a controlling consideration. In fact, we believe this would promote energy conservation rather than needless consumption. Our experience indicates that low income people have little choice but to spend their money wisely on pressing needs, whether they be for energy needs or other of life's necessities. Finally, it is possible to get cash programs in effect quickly for this winter unlike all the cumbersome work that needs to be done in setting up a fuel stamp program.

In conclusion, we appreciate this opportunity to testify today. We do believe that the President's proposal to provide cash assistance to low income households this winter is the best possible approach. If vitally needed resources are to reach the poor in time to be helpful this winter, it is important to take the simplest possible approach. We do not believe that a fuel stamp program could be set up in time for this winter, nor do we believe that benefits should be provided in the form of stamps. We are glad to provide any additional help to the subcommittee.

Let me add in closing this, Mr. Chairman. This is a personal note. Those of us who are looking at this and who have been talking about this for a few months within the administration are feeling a growing sense of distress.

In many programs we sometimes feel that all of the things that need to be done administratively at the Federal, and the State, and then the local level until you get something off the ground with the question of leadtime is not always fully understood. Some of us feel this up here. There is a need for leadtime for whatever the Congress does in this area.

We are really running out of time. Unless the Congress acts very quickly, we are not going to have anything in place until after the winter is over.

I do not think the Congress can enact a bill around Thanksgiving and expect to have the benefits and the assistance actually reaching people when they start getting those heating bills in December or January. It won't happen if it takes that long.

Finally, I would just like to say again that we really feel strongly that the only correct approach and the best approach here really is the approach of cash. Food stamps provide more money for food. It does not directly address the fuel bills. Fuel stamps have all these problems that we have gone through.

Cash payments in the form of a block grant to States is really not the right approach either. We know if we put out block grants and they go through the community action agencies, or whatever, that many people who are very poor are going to be left out.

After much discussion that we have had, we really came to the conclusion that it has to be cash payments, and it has to be directed to the recipients of our major public assistance programs now and other low income people who are in need.

I would urge that this be seriously considered.

Mr. RICHMOND. Thank you, Mr. Greenstein.

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We will now have all three gentlemen who have just testified, Mr. Janis, Mr. Palmer, and Mr. Greenstein join us for questioning.

Mr. Palmer, in your testimony you indicated that HEW was prepared to handle the people on AFDC and SSI; correct?

Mr. PALMER. Yes.

Mr. RICHMOND. In other words, you could pump in enough money to families on AFDC and SSI to assist them with their fuel emergency bills. Is that right?

Mr. PALMER. These programs would be used as the distribution mechanism; right.

Mr. RICHMOND. The one thing all of us have not addressed is providing aid to the working poor. I think my bill probably addresses this more accurately than any other bill presented. What about the 10 million working poor people in the United States who last year spent 13 percent of their income on fuel and who this year will spend 26 percent of their income on home heating fuel, and who do not qualify for AFDC, and who do not qualify for SSI, and who perhaps are not now using food stamps, and who make an income of from $8,000 to $12,000 a year with 2, 3, or 4 children, and who literally will not have the money to both eat and pay their fuel bills this winter?

You said you would take care of the very poor people. I agree with that. You said you would take care of the SSI recipients. I agree with that. But what are we going to do in this great country of ours to help the working poor? They are really in a terrible jam now.

Mr. PALMER. I think there are a couple of programs for this winter that can be helpful. First of all, the CSA emergency assistance program does go to people up to 125 percent of the poverty level. It is broadly available to the low income population, so that would be in place and hopefully funded at a level of $400 million to deal with the real emergencies of life- and health-threatening situations. The AFDC program also does reach a fair number of people who are in the labor market who can be classified as working poor. But, I agree with you that there is a broad population beyond that that we simply do not have the administrative machinery or the time in the next few months to do anything about. We can do it next winter, certainly, and that is why we are urging that eligibility be——

Mr. RICHMOND. How about this winter? Are they going to freeze or starve? There is no way these people can heat their houses and feed their families unless they get some type of special benefit this year. We have to understand that the working poor in this country are in severe difficulty, particularly the working poor living in the colder climates up North. There is no way they can heat their homes and feed their families.

The bill I drafted was directed to help precisely that group of people whom everyone seems to have forgotten about. These are people who hold down jobs and work as hard as they can and who do not make enough money to support their families. As you know, there are many millions of those families across the country. Your testimony does not help me one bit with the working poor.

Mr. Janis' remarks have nothing to do with the distribution factor. He just agrees that we ought to help the poor. Mr. Green-

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stein, on the other hand, again doesn't seem interested in helping the working poor.

Mr. Greenstein, with our food stamp administration in place, what about this? You did not address yourself very much to my bill. With the food stamp administration in place, how difficult would it be to give the working poor families, many of whom are now on food stamps, additional food stamps to allow them to use part of the money for fuel and food? That would mean you would have additional people applying for food stamps as they do all the time anyway, and it would mean that part of the working poor families who are now on food stamps receiving a smaller amount would get a larger amount of food stamps. My plan would immediately help 10 million people in the United States survive this coming winter.

Mr. GREENSTEIN. There certainly would not be administrative difficulties in doing that. The difficulties, as I have mentioned, are that for some people, especially some of the poorest people, if they do not receive cash assistance and simply get more food stamps they may have more to spend on food but not the cash with which to meet their energy payments.

Mr. RICHMOND. Mr. Greenstein, I have already said that the people on AFDC and on SSI will be taken care of under one of these proposals by HEW or by one of the other agencies. They will be taken care of with additional money for their fuel. I am worried about the other group of people a level above.

The food stamp program administration takes care of some of these people. Many of these people are on food stamps for a small amount of money. They are nowhere near their maximum; right?

Mr. GREENSTEIN. Yes.

Mr. RICHMOND. If we gave them additional food stamps so that they could spend some of their own money on fuel, then it would seem to me we would help them through a miserable winter.

Why are you so dead set against that? You have the administration set up. It means that either we have to give larger benefits to some of those working poor families that are now on the food stamp program, or we have to invite other people to participate in the food stamp program.

There is absolutely no changes, and no printing, and no distribution, involved. You know that as well as I do.

Mr. GREENSTEIN. I am not sure I understand. Is the question whether we would provide the additional food stamps to the entire food stamp caseload or to the non-AFDC and non-SSI people?

Mr. RICHMOND. Let me repeat my problem, and let me repeat the summation of my own piece of legislation which I hope you have read.

Mr. GREENSTEIN. I have.

Mr. RICHMOND. My bill provides for nothing more than additional food stamps for those people whose fuel bills increased well above what they were last year. The average poor family in the United States spent 13 percent of their income last year and $750 heating their house. This year this same family will have to spend close to $1,500.

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I would like to use the food stamp administration to pump in about $100 a month to these families for December, January, February, March, and April.

We have the system to do it. Many of these people are now using food stamps to a lesser degree and many other people could get on the food stamp program quickly.

Why do you come with this negative testimony when you know there are 10 million people out there who need assistance. I don't understand it.

Mr. GREENSTEIN. What we are saying is this. The cash approach for a whole variety of reasons will be a better approach.

Mr. RICHMOND. Yes, for the SSI and AFDC people it would be a better approach. However, the cash approach is not a better approach for those people who are not on any program. I am talking about the working poor.

Mr. GREENSTEIN. Your bill as presently constituted, however, covers AFDC and SSI as well. It covers everybody on the food stamp caseload. The question is whether that is an alternative to the cash payments for the AFDC and SSI people. The cash payments for those is a far superior way to go.

Whether it would be administratively possible to separate out the AFDC and SSI people from the food stamp caseload and provide some alteration in food stamp allotment levels purely for the remainder of the caseload would be another question which we could look at and get back to you on.

I know in general we could probably separate out, I would think, the AFDC caseload, but it would be much more difficult in many States to separate out the SSI caseload.

If we were to go that route, there would have to be some willingness to accept the fact that some families in mixed AFDC households or SSI households would get benefits from both programs because it would not be possible in a few months to provide totally unduplicated lists in all States.

Mr. RICHMOND. Could you take a good look at that? We will have hearings tomorrow morning. Could you possibly give us some sort of answer tomorrow?

Mr. GREENSTEIN. We will attempt to do that.

Mr. RICHMOND. I appreciate that. Mrs. Heckler?

Mrs. HECKLER. Thank you, Mr. Chairman.

Let me address some questions to Mr. Palmer because he is implementing the only existing program.

I feel we are caught between the rock and the hard place. What I am worried about is that with all the rhetoric on fuel stamps or additional energy assistance, what we are really hoping for or what we are suggesting, is going to be in the end a pie-in-the-sky because it seems to me to be emergency energy assistance which will be a one-shot deal, whereas the emergency that the people face will be a monthly one as their bills increase beyond their budgets.

How firm is the commitment for the $400 million that you addressed in your statement? Have you protected that in the budget amendments today? Can we count on the $400 million without the passage of the windfall profits tax? That is certainly one of the most contingent actions Congress will take up this year. It is also one of the most intangible and difficult to prophesy.

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Mr. PALMER. I am not aware of any activities that have gone on today, but I know that the administration is strongly urging that both the $250 million that is already included and the additional $150 million which was requested in a supplemental that was just sent up be made available as soon as possible for this winter, and that they be funded out of general revenues. These funds would not be contingent upon passage of the windfall profits tax. When the windfall profits bill passes, we would like to see included a payback provision from that program to general revenues.

Therefore, it is very urgent that action be taken on the $400 million. I fully share this view. I know everyone else in the administration does too.

Mrs. HECKLER. Is it not true that the $400 million, as energy emergency assistance, would provide life-or-death coverage in that one case per person or per family and that it would not address the mounting and continual escalation of energy costs and continuing emergencies? It is for that one specific, almost catastrophic, energy emergency, isn't that correct?

Mr. PALMER. The States do have a fair amount of discretion in terms of just how to use that money. It has in the past quite often been necessary simply to meet ongoing fuel payments of very-low-income families. It may not be just a one-shot thing, but it could, for some families, help them meet their fuel needs over the winter.

However, it is also true that the magnitude of the fuel price increases that are being faced by the low-income population is such that this amount of money is quite small relative to the total need. That is why the President has asked that an additional $1.2 billion be made available this winter and $2.4 billion for the succeeding months.

Mrs. HECKLER. I agree with you that the $400 million in terms of quantity of the energy cost increase is simply miniscule for many, many families and especially in the coldest regions of the country. That would include Minnesota and other areas, not just the Northeast. But, in fact, the $1.2 billion is a more realistic figure.

We are discussing at the same time a $6 billion food stamp budget. With energy escalation, which is much higher than food price escalation, even at $1.2 billion you are not addressing the full scope of the problem, but you are certainly meeting it more meaningfully.

Nonetheless, the $1.2 billion is pegged to the energy security trust fund, which is pegged to the windfall profits tax, which is now in the Senate court and subject to all kinds of redefinitions and so on.

Therefore, can we count on the $1.2 billion in this session of Congress, and then what are we really going to offer the people? Is it just the $400 million if we do not proceed with the fuel stamp proposal?

Mr. PALMER. We certainly hope and expect that Congress is going to act fast enough to provide the money through the windfall profits tax to fund that $1.2 billion this winter. I know it is under consideration in the Senate Finance Committee right now.

Mrs. HECKLER. Have you spoken to Senator Long?

Mr. PALMER. Secretary Harris is going to be speaking with him on Thursday about this problem. I have not yet spoken to him

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myself. However, it is of a great deal of concern to us. We are urging that the Senate move fast enough to make sure that the money will be available in October, which we feel is the date by which we really need to know the shape of the program and to know that it is going to be available this winter so that we can get payments out subsequently.

Mrs. HECKLER. When is the meeting between Secretary Harris and Senator Long?

Mr. PALMER. I believe it is Thursday.

Mrs. HECKLER. I ask unanimous consent that the witness fulfill the full scope of providing this subcommittee with all the information available by having a summary of the understanding between these two parties submitted to this record, because it is very, very difficult for us to consider the fuel stamp proposal, which has administrative flaws of serious magnitude as opposed to the kinds of promises made by the Department of Energy and the administration on fuel assistance and energy assistance.

If we are to realistically assess these two, we must know as early as possible what the tangible options are so that we can address the real needs in an effective way. If we postpone this until November 1, and then the Senate does not support the provisions for energy assistance, then we will certainly be too late to help the needy families across the country.

I ask unanimous consent to have a letter submitted to this subcommittee as promptly as possible following that meeting so that we will have some guidance as to whether or not we are dealing with a $1.2 billion figure on a realistic basis.

Mr. RICHMOND. Without objection, it is so ordered.

Mr. Palmer, can you do that?

Mr. PALMER. I will be pleased to do that.

Mr. RICHMOND. That will be fine. The record will remain open for the purpose of inserting this material.

[The above referred to material follows:]

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., October 11, 1979.

Hon. MARGARET M. HECKLER,
Committee on Agriculture, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, House of Representatives, Washington, D.C.

DEAR MS. HECKLER: I want to thank you for your letter of September 20, and for the concern it conveys for helping poor people this winter.

I am enclosing with this letter a copy of the testimony I presented before the Public Assistance Subcommittee of Ways and Means. In it you will see that the Administration shares your concern that we act quickly to see that help is made available in the most expeditious manner.

For that reason, the President is sending to the Congress a supplemental request for an additional $1.2 billion, to be refunded from the Energy Security Trust Fund. We continue to believe that funds for low income energy assistance should come from the increased profits that will be realized by oil companies as a result of the decontrol of oil and the OPEC price increase. Moreover, we believe that it is imperative that we set our longer range differences aside, and adopt an approach for this winter which builds on programs already in place and best able to respond quickly: the CSA Energy Crisis Assistance Program which serves all those with incomes below 125 percent of the CSA poverty standard, and our ongoing programs of cash assistance through the SSI and AFDC programs. If the Congress agrees, we believe we can make crisis assistance available in November, and checks to welfare recipients next January and February.

You should know that we have never said that we will reimburse States for programs that they may develop on their own and which might fall outside the

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purview of programs already in place or subsequently enacted by the Congress. It is within the power of the Congress to act so that funds will be available from the Energy Security Trust Fund. We believe the need for such action is compelling, and must continue to govern our planning for the winter ahead.

We have begun discussions with the Appropriations Committees, and have been working to assure that our approach is before all of the relevant Committees. The support of you and your colleagues on the House Agriculture Committee is needed and would be most appreciated. I hope that you will concur with the approach outlined in my testimony, and will make your views known to the Appropriations Committee.

Sincerely yours,

PATRICIA ROBERTS HARRIS.

Enclosure.

[The statement of Secretary Harris before the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means on September 27, 1979, is held in the subcommittee file.]

Mrs. HECKLER. There is a question of fuel stamps and food stamps. You know how difficult it was to raise the cap for food stamps because of the controversy and because this program, as necessary as it has been for many years, has been opposed by many and has been mired in flaws and fraud.

How have you succeeded, Mr. Greenstein, in implementing the reforms that you discussed with the subcommittee at our last meeting? What about the reform of the food stamp program, how far has it gone, and how deeply have you been able to reform it, and is the program in good order now?

Mr. GREENSTEIN. There is certainly room for improvement and there is more to be done. However, I think we are making substantial progress.

We are currently drafting regulations which will be out very soon in proposed form for the variety of new antifraud provisions that the Congress just enacted in Public Law 96-58 regarding social security numbers, more incentives for States to disqualify people for fraud, and recover fraud payments, disqualification procedures, and so forth.

We recently put out the final regulations and made them retroactive to last October giving States 75-percent matching for fraud investigations and prosecutions. We have identified a lead person in every one of our regional offices to work with States to try and get their investigation units more beefed up to take advantage of their additional funds.

We are doing a lot more work in the retail-wholesale area. We have disqualified 50 percent more food stores this year than we did last year, and we are going to be continuing to intensify our activity in that area.

Finally, we are in a new effort that we have been in for about a year that we are doing more of. Your State was one of the first in that we are identifying those States that are particular problem areas. Mr. Richmond has been helping us in New York.

We are focusing on five or six major States now. Those five or six, while just five or six, probably have close to half the food stamp benefits in them. That is where our biggest problems tend to be.

In one State, for example, we have just started recently withholding $1½ million a month——

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Mr. RICHMOND. Excuse me, Mr. Greenstein. You are the most knowledgeable person on food stamps, I understand. [Laughter.] But, we are planning to have a hearing within the next few weeks at which time you can tell us slowly and quietly and carefully just what you are doing to improve the food stamp program.

Are there any more questions? Mrs. Heckler?

Mrs. Heckler. I am encouraged by the statements made thus far, Mr. Chairman, but frankly, the investigative burden of the program itself is staggering. I wonder what the new investigative dimension of the fuel stamp program would be and how many more investigations would be needed.

I will yield back my time, Mr. Chairman.

Mr. RICHMOND. If anyone can handle that administration, Mr. Greenstein can. He is the best administrator we have had as long as I have been here.

Mr. Greenstein, one more thing. During your testimony you indicated that if we gave additional food stamps in lieu of fuel stamps, we would be giving people more food stamps than they could possibly eat.

Remember, I am talking about the working poor right now getting minimal amounts of food stamps to start with. Is that a valid statement then?

Mr. GREENSTEIN. For some people it is. If you are talking about the working poor or somebody working at the minimum wage, then you are correct.

Mr. RICHMOND. I am talking about somebody making $9,000 or $10,000 a year.

Mr. GREENSTEIN. We have very few people on food stamps making that.

Mr. RICHMOND. Exactly. Yes; unless they have quite a few children. But those are the people who will be severely hurt this winter if we don't give them some relief. The President does not have a plan to give them relief.

Mr. GREENSTEIN. But the point is that there are many people on food stamps, including people who are not on AFDC or SSI. They may have recently been laid off or are unemployed, or whatever. They simply may be childless couples or singles who have low incomes and large food stamp allotments and may face real heating bills and for whom more food stamps may really not be the answer.

Mr. RICHMOND. Except your largest allotment is $50 a week for a family of four. Is that correct?

Mr. GREENSTEIN. For a family of four——

Mr. RICHMOND. That is $204 a month.

Mr. GREENSTEIN. Yes.

Mr. RICHMOND. That is $50 a week. Can anybody feed their family on $50 a week?

Mr. GREENSTEIN. It is somewhat difficult.

Mr. RICHMOND. It cannot be done.

If we gave those families additional food stamps, they could probably make use of those food stamps by having three square meals a day.

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Mr. GREENSTEIN. They may be able to make use of the food stamps in the food area. That may not necessarily help to pay the heating bills.

The difference between having $50 and $80 a week to spend on food may not be as pressing as the need to pay the heating bill.

Mr. RICHMOND. Except that we know for a fact that there are very few poople on the food stamp program that do not supplement their food stamps with their own money, that is, for the food bill. Isn't that right?

Mr. GREENSTEIN. Surveys indicate about two-thirds supplement their food stamps with some expenditure, but in some cases it is not that large.

Again, that is not where our quarrel is. I think the quarrel is that we need to help people pay their fuel bills. Giving them more food stamps may not be the best way to do that.

We will look into, as I have suggested, that question you have asked about, that is, about separating out the non-AFDC-SSI part of the caseload.

The question then arises, though, if you can separate out the non-AFDC-SSI part of the caseload, would it make sense to give those people again a cash payment instead of simply more food stamps.

The biggest administrative problem we have had when we looked at this within the administration is that within a short period of a few months in many areas it probably will not be possible to produce unduplicated lists of people who are not on AFDC and SSI and who do get food stamps.

Mr. RICHMOND. The one administration that is in place that could actually do some good very quickly is our own food stamp administration, particularly for the working poor. Go back to your drawing board, and please get us the information by tomorrow, if you can. We will be grateful.

Mr. GREENSTEIN. I will be happy to.

Mr. RICHMOND. Gentlemen, we thank all three of you for your testimony.

Mr. Jeffords, do you want to ask a question?

Mr. JEFFORDS. I cannot resist the opportunity to inquire this of Mr. Greenstein.

You said your recoupment study would be ready in 2 weeks and I wondered if that 2 weeks had expired yet.

Mr. GREENSTEIN. The study, in fact, is in its final typing right now. I had a call here today on it. I am hopeful that we will have it up here by the end of next week.

Mr. JEFFORDS. Another 2 weeks?

Mr. GREENSTEIN. I would say 10 days at this point.

Mr. JEFFORDS. Thank you.

Mr. RICHMOND. Thank you, gentlemen.

[The material submitted by Mr. Greenstein follows:]

HON. FREDERICK W. RICHMOND,
Chairman, Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, Committee on Agriculture, U.S. House of Representatives, Washington, D.C.

Dear Mr. Chairman: Thank you for the opportunity to appear on September 19 before the Subcommittee on Domestic Marketing, Consumer Relations and Nutri-

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tion. I believe we had a very constructive discussion of the issues involved in providing assistance to low-income households to offset the rising cost of fuel.

In the course of the hearing, I agreed to provide you with additional information concerning the administrative capability of states to sort out those food stamp recipients who receive benefits from other public assistance programs (namely AFDC and SSI) from those who do not receive other program benefits. We have looked into this issue several times in the past year because of various legislation which has been pending in Congress and have reached a similar conclusion each time. We do not believe that states generally have the capability to readily perform this sorting process. It is very unlikely that such capability could be developed in time to assist the delivery of energy assistance payments to low-income households this winter.

Without this capability to sort out multiple program beneficiaries, it would be problematical to utilize the food stamp program in combination with AFDC and/or SSI as a delivery mechanism for energy assistance payments. Because of the large overlap between food stamp and AFDC participants (over 80 percent) and between food stamp and SSI participants (40 to 50 percent), there would likely be a significant amount of duplicate payments.

This potential for duplicate payments is a major reason why the President proposes to utilize AFDC and SSI as delivery mechanisms for cash payments this winter. These two programs have relatively little overlap in participation and the sorting process would be manageable. The President has proposed a delivery mechanism which includes SSI and the food stamp population for FY 1981 and after because it is thought that an effective sorting process could be developed by that time.

I would like to assure the Subcommittee that since the hearing on September 19, 1979, we have already reopened an intensified examination of states' administrative capabilities in sorting out multiple-program beneficiaries. We have asked our regional offices to take a closer look at this issue and report back immediately. While we believe that most states would lack the capability to perform this function this winter, we are compiling more detailed information on the state of the art in the various states. We believe it is very important to understand as precisely as possible the varying administrative capabilities (and they vary widely) of the states to enhance Congress' ability to best develop programs in the future that serve low-income people. We will forward the knowledge we acquire to you as quickly as possible.

In addition, Mr. Chairman, we stand ready to meet with you at any time you so desire to provide as much detailed information as you find necessary.

Sincerely,

BOB GREENSTEIN, *Administrator.*

Mr. RICHMOND. Our last witness is David Wilson, commissioner, Vermont State Department of Welfare, Montpelier, Vt.

I am sure Mr. Jeffords would like to introduce this gentleman.

Mr. JEFFORDS. Thank you, Mr. Chairman. I am delighted to do that.

Mr. Wilson, since he has taken over as commissioner of social welfare in Vermont, has obtained an excellent reputation in the State and nationwide. That is made obvious by the fact that he is chairman of the Energy Assistance Subcommittee of the National Council of State Public Welfare Administrators, a committee that was created just a short time ago.

I think that is a tribute to his ability. There is no question that this is one of the most significant and important problems in the country and certainly in our area.

I want to welcome him here today before the subcommittee and I look forward to his testimony. I am not so sure everyone will agree with it but, nevertheless, I know it will be excellent testimony and will reflect the views not only of yourself but of the subcommittee on which you serve.

Mr. RICHMOND. Please proceed.

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STATEMENT OF DAVID WILSON, COMMISSIONER, VERMONT STATE DEPARTMENT OF WELFARE

Mr. WILSON. Thank you very much, Mr. Chairman and Congressman Jeffords.

My name is David Wilson. I am commissioner of the Department of Social Welfare for the State of Vermont. I appear before you this morning in my role as chairman of the Energy Assistance Subcommittee of the National Council of State Public Welfare Administrators. This subcommittee was formed earlier this month to provide review and analysis of the various proposals currently before the Congress which are designed to offset the rapidly escalating costs of energy for our elderly and poor.

The testimony I am about to give reflects the feelings of the 10 member States of the subcommittee but because the council, itself, has not met and will not meet until later in October, I cannot say at this point that my testimony can be considered an official position.

What I certainly can say is that the positions that I will be presenting have been unanimously adopted by the 10 member States of the subcommittee and are most certainly in keeping with positions that have been taken previously by the full council.

Mr. Chairman, although in theory I am representing State welfare administrators throughout the country, I cannot help but to start out this presentation from my perspective as commissioner in Vermont. Twice in the past week the temperature in central Vermont has been below 32 degrees. The heating season for many of us in the northern tier of the country has already started. The hottest news item in an otherwise cool Vermont summer has been the overwhelming concern of the citizens of our State as to whether or not Government will be able to respond swiftly and effectively to head off what could become a genuine emergency.

The emergency is simply this: Large numbers of low-income people throughout the Nation this winter will be unable to afford to stay warm without some sort of Government assistance.

The energy crisis has resulted in three conditions which have caused this problem. First, and most obvious, is that heating fuel costs will have increased anywhere from 50 to 100 percent by next January over the past year.

Second, in many areas fuel dealers will be unable to extend credit to their customers as they have in the past.

Third, fuel dealers in many areas are imposing minimum delivery requirements upon their customers where such requirements have never been imposed before. In Vermont, that requirement is generally 150 gallons.

The results of these conditions can best be described by taking a brief look at the impact they may have on the clients of both the AFDC program and the SSI program in a State such as Vermont. We budget the AFDC family of four $61 to pay for fuel and $22 to pay for utilities. I might add that this is one of the most liberal allocations in the country. In the month of January we can expect that family of four to burn upwards of 250 gallons of home heating oil.

Next January we expect the price to be upwards of 90 cents a gallon and with no credit available there is no way possible that

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our AFDC family will be able to make do on the grant that we are giving them. SSI clients are probably in even more serious condition. They tend to be more reliant on home heating oil in Vermont as their primary fuel and for reasons of health they are often unable to turn down the thermostats to conserve in a manner that other people can. If no additional assistance were forthcoming, we will be asking our SSI clients in the month of January to spend as much as half of their monthly checks to heat their homes.

I do not recite these examples because I fear Congress will be insensitive to the plight of the elderly and the poor next winter. I feel certain that you will respond, but along with the 49 other welfare commissioners throughout the country, I am very concerned that your response be entirely effective. I believe that I represent the most important group which can assist you in translating your response into a program which can best accomplish that goal.

Having said that, let me now turn to the bill which is presently before you. I made a real effort in the past 2 weeks to find one State welfare administrator who would support the concept of fuel stamps as encompassed in this bill. I have been unsuccessful. In fact, virtually every one of my colleagues with whom I have talked has stated his or her active opposition to this proposal. The reasons for this opposition are summarized as follows:

One, we believe that no additional income transfer programs should be administered through the Department of Agriculture. Our experience with USDA in the food stamp program leads us to think that both recipients and taxpayers are better served when income transfer programs are administered through the Department of Health, Education, and Welfare. It is this agency that carries the ultimate responsibility for the general welfare of the poor and the elderly, and no Federal department is better prepared to accept and respond to the challenge of providing additional resources to those who may suffer because of soaring energy prices.

Two, we think that the administrative costs required to run a fuel stamp program on a State level would far exceed the costs of maintaining a direct fuel grant in a system of comparable benefits. Fuel stamps would have to be handled separately from any other existing program. The costs of mailing, processing, and security would far outweigh any advantages of a coupon-based program.

Three, one advantage of a fuel stamp program for the existing food stamp caseload is that assistance would be provided for a majority of the low-income population. However, inasmuch as not all AFDC and SSI recipients are eligible for food stamps, they would also be excluded under this program.

Four, we fear that the elderly who are the most vulnerable of all our client groups to both inflation and the cold would be reluctant to participate in the coupon program. We have always had difficulty in getting the elderly to apply for and participate in the food stamp program. They would feel just as stigmatized by fuel stamps.

Five, we cannot help but think that fraud and abuse would be widespread under a fuel stamp program. Support for this position is found in the assessment of a fuel stamp experiment undertaken by the Commonwealth of Pennsylvania.

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The administrators of that project found a flourishing black market for the stamps developed almost immediately after implementation of the program. Large numbers of clients received stamps which, because they were not responsible for paying their own heating costs, they did not need and subsequently disposed of immediately. Many clients who did use the stamps never received a large enough amount to make any significant dent in their fuel costs. Audit trails were more difficult to maintain under the coupon program.

Six, the providers of heating fuel would be very adverse to this kind of program. To ask the oil dealer in a small town with a part-time bookkeeper to take on the type of accounting problems inherent in this type of program at this point in time is unreasonable—especially in view of all the other governmental pressure which is being placed on these particular providers of late.

In Vermont, where over one-third of our homes are heated by wood, I can tell you from first-hand experience that the wood dealers who are generally part time themselves could never handle such a system. We make this point because it is necessary for those of us who would administer any energy-assistance programs to secure the cooperation of the fuel dealers in serving the heating needs of our clients.

This is going to be difficult enough this winter under normal circumstances—it would be far more difficult to maintain this cooperation if and when a program is imposed on these providers that they could not accept or support.

Seven, if the fuel stamp eligibility requirements were to closely match those of food stamps, clients would in essence be penalized for receiving additional fuel assistance from other sources such as an increase in the AFDC grant. The fuel stamp allocation under such circumstances could be decreased which would discourage States from trying to do even more in helping clients in their attempts to stay warm.

For these basic reasons, we would strongly urge you to reject the idea of fuel stamps as a viable response to the crisis of rising fuel costs.

We are in the process of developing our own proposal, the latest working draft of which I have attached to my written testimony.

Mr. RICHMOND. Without objection, a copy of the draft referred to will be inserted in the record at this point.

[The above referred to material follows:]

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THE TASK FORCE ON FUEL ASSISTANCE

APWA INCOME MAINTENANCE COMMITTEE

September 6, 1979

We propose a Federal fuel assistance program which meets the critical energy needs of households in all States. Some flexibility must be provided to the Governor to implement a program that meets the unique needs and conditions in each State. The Task Force on Fuel Assistance, APWA Income Maintenance Committee, recommends that the following elements be included in any Federal fuel assistance legislation.

Eligibility:

The State plan shall set single or multiple eligibility standards up to 125%--150% of the BLS lower living standard income level, varied by income and geographical region at discretion of Governor in State plan. Recognition should be made of the unique needs of underserved groups such as the elderly. In FY 80, coverage shall be mandated for all households eligible for ANFC and SSI. Coverage of households eligible for State income maintenance programs (GA) shall be optional. In FY 81 and future fiscal years, coverage shall be mandated for households eligible for Federally assisted income maintenance programs. Using the Social Security number as a universal identifier, duplicate payments will be avoided when coverage is mandated for AFDC, SSI, FS, and Medically needy (the latter at State option). The State plan shall explain how the benefit amounts are determined for each household and how they are to be disbursed. Vendor and/or direct payments will be permitted in the allowance and crisis intervention programs. Benefits from these programs shall be disregarded (by 100%) in determining eligibility and benefits in Federally assisted programs. Must decouple so that food stamp benefits are not decreased by an energy increment.

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Administration:

The allowance and current CSA crisis intervention programs should be administered by the Department of Health, Education, and Welfare. The Governor, through the State plan, shalldesignate which agency or agencies shall administer these programs at the State level.

Fifteen percent of the allotment shall be available for administration in Fisal Years 1980 and 1981. Thereafter, ten percent of the allotment shall be available with the State paying any amount above the level.

Allocation:

The allocation should be based on aggregate residential energy expenditures, eligible households, and heat/cooling degree days.

A State's maintenance of effort shall apply only to benefits in any Federally financed program (i.e., AFDC and SSI supplements).

States shall be reimbursed for any expenditures made for early implementation of a fuel assistance program in FY 80 prior to enactment of Federal fuel assistance legislation.

The total authorization should be at least $5 billion, of which $500 million should be authorized for the crisis intervention program. If overall appropriation is less, at least $1500 million must be available for the crisis program.

Technical Assistance:

Technical assistance should be provided at the State's request.

--SSI data; addresses of recipients

--Information on other States' methods of implementation

--Developing master files (in States) for FY 81 to use Social Security numbers to avoid duplicate payments

--Waive privacy act requirements so that referrals may be made to other programs (i.e., weatherization services)

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Mr. WILSON. Our approach is similar to that which the President has apparently taken, and we think it eliminates many of the difficulties which we believe would result from the enactment of the bill before you, while at the same time provide for timely and effective assistance to all those in need.

I thank you very much. If you have any questions, I will be happy to try and answer them.

Mr. RICHMOND. Thank you, Mr. Wilson. Mr. Jeffords?

Mr. Jeffords. Could you tell us for the record the names of the 10 States that were represented?

Mr. WILSON. I do not have the names with me. I can get them for you. It was a fairly broad representation. We had Michigan, Maine, New York, New Jersey, Missouri, Virginia, and, I think, Louisiana. There may have been a couple of others.

Mr. JEFFORDS. It was not just the Northeast, was it?

Mr. WILSON. That is right. It was not just the Northeast. It sort of tilted to the East because the meeting was called on short notice, and I think those of us who live in the eastern part of the country find it easier to come.

Mr. JEFFORDS. I noted that you brought up the fact that many of our low-income people are using wood to heat. Although I believe the total is 33 or 40 percent of homes that use wood in lieu of oil, I would guess that the percentage among low-income people would be even higher than the average. Do you agree?

Mr. WILSON. I think among families that is probably true. I think among the elderly it may not be true.

Mr. JEFFORDS. Yes, I agree with that.

Also it would be true, wouldn't it, that the price of wood has escalated so that it almost keeps pace with the price of home heating fuel?

Mr. WILSON. That has been our experience in Vermont, yes. Wood last year was roughly $50 a cord. It is now up to $85 and $90 a cord in Vermont.

Mr. JEFFORDS. So any attempt to provide funds for people ought to include all fuels, not just oil, as we sometimes get off on; right?

Mr. WILSON. Yes. Kerosene, too. A great majority of low-income people in Vermont in the colder regions live in trailers. Because their fuel tank is above ground, they are unable to burn home heating oil with the viscosity and the cold weather, so they burn kerosene.

We are very concerned about the price of kerosene and the availabilty of kerosene this winter. In fact, I think in Vermont we are more concerned about kerosene availability at this point than heating oil.

Mr. JEFFORDS. Thank you for your excellent testimony.

Mr. RICHMOND. Mrs. Heckler?

Mrs. HECKLER. I share your concerns and I am very, very concerned about the elderly this year.

As you know, hypothermia can actually cause death to the elderly if they become too cold because of their poor circulation.

If they are not able to have heat and have to subject themselves to very low temperatures, there will be a very serious health problem.

Mr. WILSON. Yes; I agree.

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Mr. RICHMOND. Mr. Wilson, we thank you very much. We will recess our hearing now until 9 tomorrow morning. Our first witness tomorrow morning will be Mr. Dick Gregory.

[Whereupon at 12:50 p.m., the subcommittee was recessed.]

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NATIONAL FUEL AND FOOD RELIEF ACT OF 1979 AND FUEL STAMP ACT OF 1979

THURSDAY, SEPTEMBER 20, 1979

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION,
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:20 a.m., in room 1302, Longworth House Office Building, Hon. Frederick W. Richmond (chairman of the subcommittee) residing.

Present: Representatives Nolan, Glickman, Harkin, Heckler, and Grassley.

Staff present: John R. Kramer, special counsel; Chris Abram, clerk; Anita Brown, Joseph R. Crapa, Mary Jarratt, and Glenda Knight

Mr. RICHMOND. Good morning, ladies and gentlemen.

This is a continuation of the hearings of the subcommittee on Domestic Marketing, Consumer Relations, and Nutrition to consider H.R. 5265 by me, the National Fuel and Food Relief Act of 1979; H.R. 5039, by Mr. Sabo, entitled "The Fuel Stamp Act of 1979"; and other related bills.

Our first witness this morning is Dick Gregory.

Mr. Gregory, it is a great pleasure to have you here with us. We are anxiously looking forward to hearing from you on the whole subject of the working poor's problem with heating their houses and eating this coming winter and what you think we ought to do about it.

STATEMENT OF DICK GREGORY

Mr. GREGORY. Let me first say thank you and good morning to all of you.

We are probably dealing with a crisis in this country that we have never dealt with before. There is a large segment of people in this country that needs somebody to say hello to. I think we got through that last depression because we heard a voice. I think that when history really gets honest, it is going to say that President Roosevelt left a lot of things to be desired, but one thing: He had a voice such that people thought he was talking to them.

You hear very fantastic stories. One of the stories that is so beautiful about Christ is this. He could have gotten off the cross had He wanted to. That is what makes that story so important and so powerful. We sit now, and we listen to the pros and cons of fuel stamps, and how many people will be able to cheat, and how many

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people will be able to hustle it. That is the same argument that we could give on the defense budget. But as long as you are talking about that hardware, as long as you are talking about that other thing, it is all right.

The problem is this. We are sitting here concerned about that $20 million, but we did not do the right publicity. You really have to find a baby out there that is frozen and purple and bring it here, and then we will do it. The defense budget got through a few days ago because we have been talking about those troops over in Cuba. So they play all the right games. You tell me they did not know there were troops over there in Cuba, and we are crazy. But all at once, we use that, and we dramatize that. And then, on the defense budget, we can get anything we want. The President of the United States does not have to say, "I promised you I would do this, but we have a problem."

We have to have people who are concerned about the poor. As a matter of fact, to be honest with you, if we are not careful, we might find out that poor people this summer should have gotten a piece of that defense budget because what poor people can do to this country under certain conditions is far more devastating than what Russia can do or some Cuban troops can do.

Let me give you an example. This summer, in certain areas of America, the gasoline did not show up, and our behavior at the filling stations was just disgraceful—just totally insane. It started in California. A woman is pregnant, and she feels bad, and she jumps up to the front of the line, and she says, "I have to get to the hospital." And they said, "You stay up there; you will get to the hospital OK." And she was beaten, kicked, and stomped.

You pick up the paper and you read where a guy was siphoning gas out of another guy's car. He gets blown away. I assume they were white folk, because if a black cat catches a black cat siphoning gas, he just puts a match under his lip and says, "Drink it all. Enjoy."

What I am saying is, if you just reflect over our reaction to the gasoline not showing up—the violence, the hostility, the viciousness—and then imagine had that not been gasoline that was delayed but welfare mothers' checks not showing up, and if the welfare mothers had behaved in front of the welfare office with the same violence, the same viciousness, the same hostility as we did in the gas stations, we would have brought the troops out to shoot them down like dogs.

Any time we live in a country where we demand a better behavior pattern out of the poor and the oppressed in times of crisis than we demand out of others who just have little crises every now and then, then we are in trouble.

I had my feet frozen when I was a child. The bones still do not straighten out. It is one of the strangest feelings in the world. I came in the house, and I put my feet in the oven, and they swelled up and split. And I had to stay out of school for 2 years. But you cannot tell me to put my feet in snow.

What I am saying is, when people get cold, they do not act rationally.

About 6 weeks ago, I think we were very fortunate because we got a message in this country. There was a picture of a 91-year-old

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white woman in Houston, Tex., who got arrested for shoplifting. Her statement was, "You, too, would act the same way under the same conditions." The most beautiful thing about this woman is this. When the American mentality reacted out of guilt that this could happen—and it happens every day when the elderly people's old-age pension check runs out before the month runs out—we sent her $25,000. And I really felt bad because of the way she reacted because it embarrassed me.

She said, "I don't want your money; I'm fixing to die. What you have to do is change the conditions that create the atmosphere where I have to rip off a supermarket." What made me feel bad about that was that I really believe that, had that been my grandmother, she would have been praising God, saying, "The Lord will provide," and taken that $25,000. This woman, at 91 years of age, who had just gotten arrested, had this much integrity and this much sense to say, "I don't want your $25,000. I need you to relieve the conditions that cause this."

There are a lot of people who have faith in the food stamps. A fuel stamp says to that American who has no other way out that we care. Half of staying warm is having faith that you are not going to freeze to death—not overreacting.

Maybe what this subcommittee should do, and the people who testify against it should do, is to go home and put their hands in the refrigerator where they make the ice cubes and just sit them there and feel their hands getting cold, and feel it moving up their arm, and then just stop and think about a whole family feeling this way. What would your reaction be? I'll tell you what your reaction would be

You are going to have Americans this winter who, before they freeze to death, are going to take a little bucket, or a little trash can, and they are going to put it in the middle of the house, and they are going to put anything in it that burns to stay warm—that is normal.

You cannot have people doing this all over America without whole cities going up in flames.

If Mrs. O'Leary's dumb cow can burn Chicago down in the summertime, what do you think cold people will do accidentally?

I am just saying that it is very, very important that we say to this segment of people who have sat and listened to a debate going on with the President of the United States fighting for a three-martini lunch when I cannot have fuel stamps. That is wrong.

And don't think poor folks don't hear this. I have been on both sides. I was on welfare for 20 years, and I went out and made $1½ million in 18 months, so I look at both sides of it. I have shared the luxury of the tax writeoffs, and I have shared the pain and misery of being poor in America. The beautiful thing is that pain is for a few minutes and joy is for a lifetime.

This subcommittee can say to that huge segment of Americans out there that they care.

I wonder how much it cost us to go to Kennedy and surround that Russian plane and keep it on the ground for 3 days over some white woman who did not want to be here in the first place. But we had to alert all the militaries, all the armies. Poor folks hear

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this. It would have been so simple to just get on the plane and say, "Do you want to go?" How did they let her on in the first place?

We can create an international crisis over somebody who does not even count.

It is a heck of a thing when you look at our elderly people in this country that, as much as I am against war and many of the things we do, those people believe in America. When they were young, they went to war; they sent their children to war. If someone had told them, way back in the 1940's, that in 1979 there would be such a crisis that their pension check would run out before the month ran out, they would have gladly paid more of their money then.

But now, we say to our elderly people, "Thanks; thanks for everything you have done for us. By these conditions, you cannot work now; you cannot go out and get an odd job."

Probably the most important thing I have ever done in my life is sit here. I have been around the world, and I have sat in on some fantastic discussions, but being cold is a hell of a thing while living in a country that can send the Russians $1 billion worth of wheat on credit.

Poor folks know this. Poor folks know that Lockheed was loaned $400 million, and they did not pay it back, while we sit and talk about taking college loan money back from students.

The only protection we have in this country against violence, against riots—and I am not talking about black folks rioting because down through the years a lot of people have used that as a threat—black folks do not know how to riot. When the white folks come out, they will have some serious riots because they know where all the stuff is.

I am saying that I think we can stop this. We can say now, before it gets cold, that we care.

All that defense budget did yesterday—I looked at the news—was to send the Russians a message that we are not going to tolerate this. So, somehow, how come we cannot be as fair with poor folks in this country to send them a message this week, before it gets cold, to say, "We care"?

Poor folks, and folks who cannot afford it and do not have all those income tax breaks do not want to hear anything about the oil industry. They do not want to hear about the food stamps, and your dealing with this farmer and that farmer. It gets to be one big ripoff. When we get so worried about the oil industry ripping us off, we should be worried about what they pulled at the gasoline pumps this year. We all go to bed one weekend with enough gas and wake up Monday morning: It's gone. Nobody asked them to explain. Nobody asked them to justify how you can end up with 140 to 160 percent profit while everyone else is suffering. Nobody asked the oil industry to explain, if OPEC raised the price of their fuel, how come Texas raised the price of theirs?

Somewhere, all it wants when it comes time for poor folks to get a break, is this. We start worrying about who is going to make the money on it.

For the first time in my life I am almost afraid, when I hear this Government and the President of the United States say, "Come this winter, the American people will have a choice between home

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heating oil and food, and they will be forced to take home heating oil."

When I live in a country—the richest Nation on the planet—and they tell me that I am reduced to choosing between heating my house or eating, then I say, "You had better get your army ready, and you had better put your tanks on the corner because that last depression we went through will be nothing like this." Most folks in my neighborhood did not understand what white folks were talking about when they talked about a depression. Our conditions never changed; they were the same. People said, "Wasn't it awful—what happened with the 1929 stock crash?" What happened?

But today, you have generation after generation of educated people who have finished college, who have false dignities, who have false pride, who have moved away because America is not the America it was during that last depression. That last depression was love in this country. I could go across the street when my pipes froze and get some water from Mrs. Smith. I could go down the street and take a bath on the weekend. But I do not know who lives next door to me now. I do not know who lives upstairs over me now. Somebody here has to reach out.

It is really funny. Everybody with those funny views does not want the Government getting involved, but they welcomed the President down South when that hurricane rolled through there; they want all the money they can get; they do not care about Government interference.

I am just saying that I do not understand why home heating oil is $1 a gallon, but I do not think we should make poor folks suffer when there should have been some force to investigate and protect us during the summer.

I do not understand, when I pull up to a gasoline pump and they charge me a dollar for some gas, and I am looking and see where x amount is for the gas, x amount is for Federal tax, x amount is for State tax, and x amount is for city tax, so that I am really not paying a dollar a gallon for my gas; for home heating oil, you do not have all those taxes; that is pure profit. But we let them get by with it.

So, in closing, I say thanks to you that I am able to come here. This is what gives me faith that we can turn it around—that I can go to jail in Reedsville, Ga., 6 weeks ago and can go to jail in St. Louis just the other day and then I can come to Congress and sit and plead my case. That is what makes this country the fertile soil for solving our problems.

But I say to you, there are an awful lot of people who need you right now. They do not want to hear about ripoffs; they do not want to hear about who is going to make the money. All they want to hear is that help is on the way, and that means a whole lot.

I remember, in the early 1930's, that my mother used to listen to the radio every evening—listen to Gabriel Heater—to see what message was given to the poor. He could scare you to death sometimes when he would tell you those checks were going to be late. Today, the poor people do not have that voice. You have to create that voice. Maybe it will cost us $3 or $4 billion, but what would it cost to bring out the National Guard to help the firemen put whole blocks out?

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I tell you that before people will sit up and freeze to death, they will burn their houses. They will tear up the steps and burn them. It is incredible what can happen in this country. The Russians can use that propaganda. They can gain more influence on this planet if we have poor folks and folks who are working having to take the choice of food or fuel.

So, what amount of money would we pay to offset that? The minute a whole lot of people freeze to death and the Russians start going around, what we will do is start going to all those countries and increasing our foreign aid so that they will be our friends again and will not listen to this.

So I say to you that we can stop it. The sad part about it is this. If you put this fuel stamp bill through and of the American people nobody dies, then there is no press about it. But sometimes you have to be willing to be a hero only in the eyes of God because it does count. The poor people who will love you for this—they have no voice; they do not know how strong they are. But you in these committees can go and collect all of their children and send them off to a foreign country to fight.

I know that if that thing we have up there circling around Saturn sending those pictures back said there was somebody up there and what they need is some fuel for the winter, we would send it. And everybody would be so proud that we were able to help some weird looking folks on Saturn. But we would send it, and there would not even be any debate about it; it would be sent. The next thing we would know would be that it was on its way.

When we gave the Russians $1 billion worth of wheat on credit, there was no debate. The only thing we were told was that they had gotten it and got 30 years to pay us back. Well, I know a lot of poor folks who will be dead in 15 years. I wish they could get a loan with 30 years to pay it back.

So, I will leave you today by saying to you that what you do in this subcommittee can make the difference between success and failure because this country has never had serious riots before. We have never had serious violence in this country. We have never had serious terror in this country. Because there were always means of diffusing such situations by peacefully protesting and peaceful assembly.

And so I would hope that you would understand that there are a lot of people out there who need these stamps. I am not one of them, but I just thank God that my soul has been through the turmoil that it has been through, that I can take time out of my life before certain people get into a crisis to come and beg you, saying "Please, please, please do this."

I thank you, and I appreciate being here.

Mr. RICHMOND. Thank you, Mr. Gregory. [Applause.]

Mr. Glickman?

Mr. GLICKMAN. Dick, I think the subcommittee here will generally agree with you. I, too, have never wanted for anything in my life, but my father did during the depression, and he told me about the hope that the Government provided. I hope we can provide some of that.

I have two questions. No. 1, I think you make a good point. Regardless of the oil companies, whether there is a ripoff or not,

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the point is that there is a massive transfer of wealth in this country going away from the poor to the not-so-poor. Therefore, we have an obligation to make sure that people can provide for those basic necessities.

I am interested in your point about the fuel stamps. You said you think people have faith in food stamps and, therefore, by getting their heating paid for under a similar program—fuel stamps—it would be a lot more predictable, and a lot easier and more comfortable; they would not be as afraid as if there were some other type of bureaucratic program.

Mr. GREGORY. Yes; that is what I am saying. I am saying that every other person in America knows somebody who knows somebody who has food stamps. So it is not foreign. So, the minute you say we have a fuel stamp, automatically half of my problem is relieved because I know the food stamps are real.

We could have killed the food stamps just in debating that A. & P. and Safeway can give me script, talking about the millions of dollars they make on food stamps each year dealing with that script that never comes back in.

But when you look at the overall program in this country, and when you are really talking about helping somebody, there is an aura that has to be created that is just as important as the help. For instance, take somebody who is in trouble with the law. They go and get the best lawyer they can afford because just the name of that lawyer relieves the conditions.

It is the same as when you are lying on the ground, hurting, waiting for the ambulance to show up. Then you hear the siren. It might not even be coming to you, but you feel good because you know help is on the way.

I think that is what fuel stamps would do because we know a lot of people ate because of food stamps. I think it would have the same connotation.

Mr. GLICKMAN. Thank you. Thank you, Mr. Chairman.

Mr. RICHMOND. Mr. Grassley?

Mr. GRASSLEY. I have no questions, Mr. Chairman.

Mr. RICHMOND. Thank you. Mr. Harkin?

Mr. HARKIN. Thank you, Mr. Chairman.

Thank you for your testimony, Mr. Gregory.

I think, all too often as we sit in these committees, people come with all these prepared statements which have been prepared by their lawyers or all these people who work for them. They sit there and read them. They are all very objective, and very detailed, and very well put together. But some of the best testimony that I have ever heard is that which is not prepared and really comes from the heart of the person sitting there. That is the way I feel about your testimony.

Mr. GREGORY. Thank you.

Mr. HARKIN. I guess the only response I would have is this. It seems so often that we only put Band-Aids on things around here. We are always playing catchup ball. We wait until the conditions get really bad and then put a Band-Aid on them.

I have always been a strong supporter of food stamps and will be a strong supporter of fuel stamps, but it seems to me that we are just putting Band-Aids on Moons; we are giving aspirins to people

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who have cancer. It is the system itself that needs some changes made in it.

We have a debate going on on the floor—at least it ended yesterday—on the budget for the next year. Most of the debate centered around the fact that we have to control inflation by increasing unemployment. That is the same kind of choice you were talking about—the choice between food and fuel.

I can honestly say that I have never met a poor person in my life who, if given the opportunity to have a meaningful job, someplace where they could earn their keep, would not do it.

It seems to me that those are the kinds of things we have to attack in this country: What makes the system wrong, rather than just trying to put Band-Aids on it, to patch it up here and there.

As I said to you before you testified, I do not have any problem with fuel stamps, but here is the landlord who has a bunch of poor people living in this house—maybe elderly people. He sees that they are going to get fuel stamps to help pay the rent because the heating bill is in the rent. He says, "Hey, that's great. I'll just raise the rent a little bit more." That is the one thing that bothers me. It is that kind of a Band-Aid approach we keep making without trying to change the system.

Mr. GREGORY. Again, I think that if we look at all that fat that those defense companies rip us off for, it is the same thing. In other words, when it comes to poor people's turn, we get very concerned. Poor people have never had anything but the Band-Aid; that is all they have ever had, like alcoholics who were never able to do anything but just get another bottle of wine, to go to court and never take anything but the public defender. That is what they have always had.

I am saying that when you get ready to change the system, don't start with me.

There are certain things that would give Americans faith. When you get ready to really change the ripoffs, do not start at the bottom and work up to the top. Start at the top and work down. By the time you get to the middle, the bottom will have taken care of itself.

I am saying that, in the middle of a crisis, if this building is on fire now, the first thing we have to do is get out of here. Then we might be able to come back in and see what we can salvage.

So I am saying that, if we were sitting now in the spring of the year, there are a lot of things we could do differently. But it is not spring; it is getting ready to be serious—serious. I would rather see you put a Band-Aid on this, even if you just limit it to this winter, than have to bring the National Guard out to fight fires and shoot and kill folks to preserve the system. That is what I am saying.

I am saying that it can happen. If it does not happen, you will not look as good; but if it does happen, then everyone will say, "I told you; we could have."

Somewhere, we have to just talk to the poor and say, "We care about you." The poor do not get one nickel off that ripoff, but they always suffer because of it. Just for once, we have to be concerned. But we also have to weigh certain things.

I would be concerned about that landlord making that ripoff, but there are certain messages we can send to the landlords. There are

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certain things we can write into that law to put an extra penalty in for that type of ripoff. We can go to the public.

That is the one thing I think you do not do anymore—go out there and use those airwaves, use the press, to talk to that segment of the people. They want to be talked to, and they want to be told. There are a whole lot of decent people out there.

It is just incredible to hear the President of the United States fight for a three-martini lunch and then say, "I am very worried about the landlord ripping you off." Are you telling me "booze over me staying warm"?

There are a lot of things that poor folks in their unsophisticated way do not hear. They do not understand "a trillion dollars." That is how we can get by with it. But if you said to the poor, "A trillion is billion times x amount of dollars," they still would not understand. But, if you said, "If you took $2,000 every day and spent it for 2,000 years, you would just barely spend over $1½ billion," they would understand that.

I can always hear everyone wanting to clean the system up when it is my turn, but when it is everyone else's turn, nobody is there.

If it is just for this winter, it is very important. I guarantee you, if we say it and then go out and publicize it—If I were in charge of this subcommittee, I would spend almost as much money publicizing it as I would on the program. I know this from fasting. I can go a long time without eating as long as I know I can start back when I get ready. There are a whole lot of people who can prepare themselves to be warm, who can sleep in clothes and do all kinds of things, when they are not frightened. All you are doing is relieving the fright. You are telling me that you care.

Would it not be a heck of a thing if someone in authority stood up and said to the American people with the same voice that we use for the threats to the Russians, "No American will freeze to death in this country this winter, and no American will die from starvation unless they want to"? What a beautiful feeling.

When I was young, I did not know anything about President Roosevelt and all of that, but we used to listen to him. The voice sounded like he was talking to us. It worked. That is all I am saying.

We are going through a fantastically critical period where a lot of Americans are afraid—definitely afraid.

Go to the store today and note the price of frying chickens. They are something like 44 cents a pound. Note the price of navy beans. They are 68 cents a pound. Why? Because in this country, the $100,000, $200,000, $300,000, and $400,000-a-year people spend most of their money on security. They have been reduced to changing their eating habits. So, there are a lot of Americans who have never eaten beans and rice as anything but a side order eating beans and rice as a serious meal now. There is a raid, for the first time in history, on poor folks' food.

During that last depression, I might not have been able to eat what I wanted to eat, but there was always something out there available to me for a few pennies.

Any time that you look and see that the basic staple costs more than chicken, then we are in trouble.

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This subcommittee can send a message to that segment of people who have never had a beautiful message sent to them. They wake up; everything is short. They have problems in the summertime. We can send a message to say that help is on the way. It would just be so nice if it were to happen.

Mr. HARKIN. Let me say that I know the chairman of this subcommittee, and I know of what he has done to get this thing going. I know of his commitment to this program. I can assure you of one thing: that Fred Richmond is going to see this thing through.

Mr. GREGORY. Thank you.

Mr. RICHMOND. Thank you very much, Mr. Harkin.

Thank you, Mr. Gregory.

You certainly started off the hearings in a wonderful way this morning.

We have a difficult job to do. As you know, it is a Band-Aid, but we need the bandaid very badly, and we need it quickly. The problem is to see if we can move this legislation through Congress in the next few months.

Mr. GREGORY. Yes.

Mr. RICHMOND. We are looking forward to hearing from some of our other witnesses today, and we hope you can stay for as long as you would like. Thank you.

Mr. GREGORY. Thank you very much.

Mr. RICHMOND. Our next witness is the Honorable Maurice D. Hinchey, Chairman of the Environmental Conservation Committee of the New York State Assembly.

Assemblyman Hinchey, it is a pleasure to have you here.

I met you before, and I am delighted that you could take time to testify before our subcommittee this morning.

STATEMENT OF MAURICE D. HINCHEY, CHAIRMAN, ENVIRONMENTAL CONSERVATION COMMITTEE, NEW YORK STATE ASSEMBLY

Mr. HINCHEY. Thank you, Mr. Chairman and members of the subcommittee, and good morning.

I am Maurice Hinchey. I am a member of the New York State Legislature and member of the assembly from Ulster County in New York State, and chairman of the Assembly Committee on Environmental Conservation.

When I worked on this statement, I thought I had something significant to say, but after hearing the last speaker, much seems in vain. Nevertheless, I have a specific proposal to make, and I would like to get on with it.

The fuel crisis this winter is less likely to be one of supply than of cost. In a more perfect world, all people would be able to afford proper food, clothing, and shelter. In the United States, there are still large numbers of people whose incomes are so low, they are unable to purchase necessary goods and services without additional subsidies from the Federal Government.

To help people in such dire straits, we have public assistance programs, housing subsidies, the supplemental security income program, school feeding programs, the food stamp program, and literally hundreds of other income transfer activities ranging from low-interest college loans to medicaid and medicare.

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Along with many others who have, or are to appear before this subcommittee, I want to make it as clear as I possibly can that the cost of home heating fuel has risen so high and so quickly that it has become a major problem for low-income people, the only immediate solution for which is more money and now.

In my assembly district, for example, which is located in the mid-Hudson Valley area of New York State, the cost of heating oil has doubled within the last year.

The subsidy programs I just mentioned are all aimed at achieving certain agreed-upon objectives such as housing or health care. Of them, only public assistance and SSI pay cash benefits. But the cash is for the bare subsistence essentials of life. And, of course, it is paid out by the recipients as soon as it comes to them.

This subcommittee has convened to hear opinion on the advisability of using the food stamp program as a vehicle for the distribution of benefits to low-income people to help them meet rising fuel costs.

I think one essential fact stands out: That something has got to be done to help people survive this winter. I believe that, within that context, the considerations should be several. First: Whom should we help? Second, how much help should be given to them? Third, what is the most efficient way of providing that help?

First, it should be our objective, obviously, to help those who are most in need. That is, those people who are directly responsible for paying the cost of heat for their homes. We want to target our aid to them specifically because, if they cannot pay the fuel distributor, often upon delivery, they will be without heat. If we adopt this criterion, we will not need to try to help all low-income people. I particularly mean tenants and multifamily dwellings who do not pay separately for their heating costs.

It is true that these people absorb the cost of heat in their rent, but they are not going to suffer the shock of 100-percent increases. Nor will they be faced with a shutoff of their heat. The landlord is responsible for heat and health codes throughout the Nation require him to furnish heat. Moreover, most northern areas have emergency fuel programs which supply fuel should the landlord be derelict in that duty. There are many low-income people who rent, but they do not face a critical heat situation this winter.

Second, the cost of heating fuel has about doubled. We cannot pay the entire cost of that increase. I think the benefits outlined in H.R. 5039 of from $20 to $50 for eligible families are too low. I think we ought to double them. By giving benefits only to people who directly pay for fuel, probably more than half of the cost of the program spelled out in H.R. 5039 could be eliminated. This would then permit greater benefit levels to the targeted population.

Third, the method of delivering the benefits is most difficult and most critical. The Nation's public assistance programs give us a very inconsistent profile of our low-income population. Since benefit levels differ from State to State, no uniform definition of need is applicable. Had reform of the welfare system taken place, this might not any longer be the case. But it has not taken place. Even if the Congress chooses to pay out the benefits in cash, the welfare system does not incorporate the near poor, and, indeed, it even skips over many of the real poor.

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We have 50 public assistance programs in the United States, and the only constant among them is that they are all, each and of themselves, different.

The food stamp program, I think, ideally lends itself to a uniform benefit distribution program because that is what it already is. It even has the capability of sending out checks, should cash be the form that the benefits would take.

Let me state my proposal.

I propose that the food stamp program, itself, be the system for helping low-income people meet fuel costs.

To accomplish this, I would suggest simply that fuel oil distributors be certified by the U.S. Department of Agriculture to accept food stamps, exactly as food stores do now. USDA has the capability to do that. We should not wait for fuel stamps to be designed, printed, and distributed, when cold weather in the northern part of the country is only a few weeks away. The food stamps are available now.

Further, for the period of the heating season, banks, post offices, and all issuers of money orders should be allowed to accept stamps as cash and issue money orders or checks based on them. In that way, people who pay gas and electric companies by mail would continue to be able to do so. The program, I think, could be implemented immediately.

Only people eligible for food stamps would be eligible for these special heat benefits. This includes, of course, SSI beneficiaries. In California, SSI recipients would have to enroll in the food stamp program for these particular benefits only.

Food stamp participants who want the special heat benefits will receive a form in the mail with a return envelope. The form will allow self-certification of the fact that they pay for heat directly and will require them to enclose a paid receipt or canceled check, or some other item, indicating fuel cost.

I believe in New York State, no more than 25 to 35 percent of the current food stamp participants will qualify under those conditions.

The principal argument against using the food stamp program is that it will perhaps allow itself to be victimized by nonfood problems emerging from the implementation of this special benefits program. That, I believe, is a pessimistic view. A more optimistic view is that the program will be enhanced by demonstrating its capability to deliver another essential benefit. I believe the Nation will be grateful to it and it will develop a broad new constituency of support.

Whatever we do, however, we must do it immediately. I do not mean to suggest in this testimony foreclosure of discussion about using CAP agencies for emergencies or for other programs. But I think if we mean to treat those in need in a uniform manner, we must use a system that is well suited to the task, and I believe that the food stamp program meets that need.

I thank you very much for affording me the opportunity to come before you this morning and make this suggestion to you.

Mr. RICHMOND. Thank you, Assemblyman Hinchey. Mr. Harkin?

Mr. HARKIN. I have no questions, Mr. Chairman.

Mr. RICHMOND. Mrs. Heckler?

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Mrs. HECKLER. I do have a few questions, Mr. Chairman.

I would like to ask exactly how we deal with the problems of those low-income people who are not on the food stamp program; particularly the elderly.

The food stamp program continues to have a negative stigma, and there are many of the elderly who are disinclined to apply for food stamps because they view it as a welfare program. And yet, some elderly face the prospect of hypothermia which can actually be fatal to the elderly if a cold gets to the point where they cannot cope with it. The circulatory system slows down, and can result in death.

One example of the people who would not be covered is SSI beneficiaries in my State because they are not in the food stamp program.

If we were to enact a food stamp program that had a fuel allowance component in it, would it still deal with those people who are not covered but are really very much in need?

Mr. HINCHEY. First of all, let me say that I am very much aware of the problem you have just cited.

Just a few years ago, an elderly couple in Schenectady, N.Y., in my district, actually did die because there was no heat in their apartment. As a matter of fact, it was their home.

Mrs. HECKLER. These were elderly people?

Mr. HINCHEY. Yes, two elderly people. They could not afford the fuel. The fuel oil delivery was cut. They were isolated. There was no one to contact. No one took an interest in them. They died, alone, in isolation. They froze to death.

I believe that, under the circumstances you have suggested, certain adaptations could be made in the program—could be incorporated in it—to allow those States that have the situation that you have in yours to get into the food stamp program in such a way that older people could use it.

I do not really know how we get over that hurdle—the stigma of welfare—particularly felt by older people. It is of concern because older people very often have this pride—I think it is an artificial and false feeling of pride. Nevertheless, they have it, and so we have to deal with it.

I am not making any suggestion here this morning. The food stamp program does not have the good name that it ought to have. It ought to be looked upon as a wonderful, beneficial program, beneficial to those segments of our society that need it. Unfortunately, that is not uniformly appreciated around the country.

But we have a crisis on our hands. I believe we have to act within the next several weeks. It is going to be awfully cold in New York and throughout the north of this country.

The reason I make the suggestion to try to use the food stamp program is that it could provide fuel to people. It is already here; we have it in place. It does not work perfectly by any means. I have seen estimates that say that half of the people who are eligible for it in this country do not apply for it—that we are reaching only half of the eligible population. But we are reaching a sizable segment of the population, and that fact must be taken into account. And it can be used almost immediately.

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Mrs. HECKLER. I agree with you as to the reality of a crisis and the need for urgent action. But I think we have to think of a vehicle which will be effective for all of those who deserve this help so that there will not be serious human gaps.

Another question I would like to ask is in regard to your comment on renters. Obviously, an increase in fuel costs for the landlord will be passed on to the renter.

The low-income people in the cities of America, are almost all renters; they are not homeowners.

Am I to assume from your statement that you would like to help a single-family-dwelling owner eligible for fuel stamps and not a renter living in a tenement in New York, or wherever?

Mr. HINCHEY. Yes.

Mrs. HECKLER. Is that a reasonable position? I mean, how many poor people are you really going to help there?

Mr. HINCHEY. I think you would be helping a lot of poor people if you would do that. And I think, in doing so, you would be able to increase the level of benefits beyond the $20 to $50 that are proposed in the bill that is before you now.

Mrs. HECKLER. You are going to do more for the few and nothing for the many.

Mr. HINCHEY. Not necessarily.

I think there are other ways to deal with tenants. I think we have special programs that are in place now that, if properly monitored, can insure that people who live in multiple dwelling units are not going to freeze to death this winter.

We do not have any program to deal with people who live in single-family residences or two-family residences scattered all over the rural areas of this country. Those are the people who have no protection whatsoever—zero. They are really out on a limb.

Mrs. HECKLER. But the people who cannot even afford to own a home, and live in a tenement, and who will be paying more because the landlord passes on the fuel costs to them, are also in a desperate situation.

Mr. HINCHEY. Yes. That is true.

Mrs. HECKLER. They will pay more in their rent. The rent will always go up if their homes are going to be heated.

Mr. HINCHEY. That is correct. I grant you that. But what I am saying is that those people are not in danger of freezing to death. We have programs in place which, if we handle them properly, can insure that those people are not going to die this winter, are not going to be freezing cold this winter.

Mrs. HECKLER. I just do not have that assurance. I do not know that all landlords are going to keep buildings really suitably warm.

Mr. HINCHEY. I am not suggesting that all landlords are benevolent or that all landlords even have a suitable conscience. But I think that the mechanism is in place in many of our municipal governments to monitor that and to try to insure that they do behave.

Mrs. HECKLER. What mechanism is that?

Mr. HINCHEY. In New York, for example, there are laws within the cities to require landlords to provide heat. The heat in the multiple dwellings in the cities is not allowed to go below 50 degrees, for example. Now, I am not suggesting that that is all that

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comfortable or that that is an ideal situation, but people who are living in 50 degrees are not going to freeze to death.

Mrs. HECKLER. That is the New York experience. I do not know of any such law in Boston, for example.

Thank you.

Mr. RICHMOND. Thank you, Mrs. Heckler.

Assemblyman Hinchey, I am anxious to question you myself, but we have a vote on the floor and I will have to recess this hearing for about 10 minutes. Could you wait?

Mr. HINCHEY. Certainly. I would be glad to.

Mr. RICHMOND. Thank you. We will be back as soon as we have voted.

[Recess taken.]

Mr. RICHMOND. The subcommittee will come to order.

Assemblyman Hinchey, thank you for your testimony. It coincides with some ideas I have had which we have incorporated into H.R. 5265, a bill which would use food stamps in lieu of fuel stamps, aimed particularly at helping that group of people who are totally disenfranchized. People on AFDC, people on SSI can quickly be helped by the welfare departments. Middle-income people can receive help by tax credits. But the one group of people that everyone seems to have forgotten is the working poor—roughly 20 million in the United States whom we categorize as working poor. They are not making so little money that they qualify for welfare. We know that these people earn somewhere between $8,000 and $12,000 a year, that last year they spent 13 percent of their income on fuel, and this year they are going to spend 26 percent. We know that if they have to spend 26 percent of their income on fuel, literally, they just will not eat. That is all they have to choose between—eating and keeping warm.

As Dick Gregory so eloquently said this morning, when you are cold, you cannot do much else but think of being cold.

I really thank you for your testimony, for your assistance, and want you to know that we are working very quickly, trying to figure out how we can help the working poor this winter. That is the nub of our problem.

Mr. HINCHEY. Thank you, Mr. Chairman.

Mr. RICHMOND. You agree with me, I hope?

Mr. HINCHEY. Yes; I certainly do.

As I tried to indicate in my testimony, I think there is a targeted population that we ought to try to help because they are out there without any kind of help at all presently, and a program such as the one you are dealing with in legislation that is mentioned does that, I think, in a fashion that can bring the aid to them quickly.

We were just talking in the hall, and someone reminded me that it snowed last night in the Adirondacks, and it was 30° in Albany this morning. When I got up and started my car, there was ice on the windows. So it is with us. It is here, and whatever your subcommittee is going to do, I know you will do it as expeditiously as you can, and I thank you for that.

Mr. RICHMOND. Thank you very much, Mr. Hinchey.

Our next witness is Mr. Stephen B. Farber, executive director of the National Governors' Association of Washington, D.C.

Good morning, Mr. Farber.

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STATEMENT OF STEPHEN B. FARBER, EXECUTIVE DIRECTOR, NATIONAL GOVERNORS' ASSOCIATION, WASHINGTON, D.C., REPRESENTING J. JOSEPH GARRAHY, GOVERNOR OF RHODE ISLAND, ACCOMPANIED BY T. SCOTT BUNTON, STAFF DIRECTOR, HUMAN RESOURCES

Mr. FARBER. Good morning, Mr. Chairman. It is a pleasure to be with you this morning.

I am here today representing Gov. Joe Garrahy of Rhode Island. Governor Garrahy is chairman of the Committee on Human Resources of the National Governors' Association and has had to remain in Rhode Island because of his efforts to resolve a strike in that State.

Accompanying me, Mr. Chairman, is Scott Bunton who is staff director for the Committee on Human Resources. Mr. Bunton has been working extensively with State officials from all around the country over the past few weeks in order to help develop the most effective possible program.

Gov. Hugh Carey of New York and Gov. Ella Grasso of Connecticut are among the many other Governors who have taken a lead in trying to come to grips with this very difficult set of issues before the subcommittee.

I would like to emphasize, Mr. Chairman, that Governors from all parts of the country, not only the Northern States, have a deep concern with this issue and share your resolve to come up with an expeditious solution.

Mr. Chairman, I would like to read Governor Garrahy's statement into the record.

I am pleased to appear before you today to address the topic which is before the subcommittee: What to do about the plight of the impoverished persons and families of this Nation who face the onset of winter while reeling under the onslaught of what I believe we may properly term catastrophic price increases for the forms of energy which are essential to them for providing warmth and a means of food preparation, as well as for transportation to and from work, medical assistance, school, et cetera.

I wish to compliment the subcommittee—and those Members of the Congress—who have recognized the crying need for providing assistance to this population in time for it to give the help they will require in only a few weeks. I am confident that those members who have introduced legislation in one form or another, some of which is the subject of the hearing today, are far more interested in making sure that some useful assistance reaches these people across the country in time than they are irrevocably committed to an particular course of providing that assistance. Let me say first, before proceding to any specific points, that the National Governors' Association has recognized this need, and strongly supports the effort to devise a workable, administerable plan to meet this need. And we pledge ourselves to work with the Congress and the administration to that end.

The specific object of the hearings today is the subject of providing the assistance virtually all agree is needed in the form of fuel stamps—and, even more specifically, in the form of fuel stamps distributed along with or to the recipients of food stamps. Some proposals call for expanding the amount of food stamps which are

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to be provided to eligible families and individuals and amend the law so that these may be spent on energy as well as on food.

In the spirit of the comments I made just a momemt ago, let me indicate that the National Governors' Association believes that there are other routes which will enable assistance to be provided more equitably and to reach more of those who are truly in need of it—and which can be operational in approximately the same time frame. I wish today to suggest that your full support be given to such alternatives and consideration of fuel stamps or multipurpose food stamps be laid aside.

Let me lay out the broad design of the program of low-income energy assistance which the National Governors' Association believes is best suited to meeting the needs of the impoverished and low-income persons and families of our Nation while still embodying the critical principles of administrative simplicity—particularly in the first year of operation when time is of the essence—and ability to be placed on line before we confront a national tragedy of many deaths in the cold because energy could not be afforded by the victims.

The association believes that any program to meet the energy assistance needs of the low-income population should have three interrelated parts: A part through which income assistance is provided which will at least help in meeting the increased costs of virtually all forms of energy, and will assist the recipients in paying their escalating energy bills; second, a part which will make available a considerable amount of funding to all States for crisis situations which inevitably will develop irrespective of the presence or scope of an income assistance program—where persons simply cannot come up with the total amount of money needed to purchase, for example, a minimum load of fuel oil, and therefore face an empty tank and no heat. Third, some program providing for weatherization of the homes of the poor must be established in a constructive manner which will allow for systematic insulation of homes, weatherstripping, et certera, throughout the Nation, in a manner which has the potential for ultimate success and for meaningful progress in the meantime.

Although the Governors realize that it will probably be impossible to put all three components into effect simultaneously with any precision, we do believe it is well within the realm of the possible to put all into effect this year—this heating season. If it is necessary to proceed somewhat more slowly with reconstituting and proceeding with a weatherization program, that is not an offensive reality. What we do believe must be kept in mind, however, is that the total program, with all its components, should be designed and enacted as a package so that it has the real potential to function cohesively and complimentarily in the very near future. The National Governors' Association sees no reason why it should take longer than 1 year following enactment of the type of program we would urge you and the Congress to support to be operating in all aspects at peat efficiency and with maximumm coverage.

I will not take a great deal of time today to attempt to describe in detail the provisions of either the weatherization or the crisis-assistance programs. It would be the understanding of this subcommittee, I am confident, that such programs would be within the

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purview of other committees and, in any event, could not be connected to or operated within the food stamp program.

I would like to provide a few of the characteristics of this income-assistance program which, as I said, we refer to as the "special allowance program," so that they may be compared to the fuel stamp concept which we have also heard discussed.

Mr. Chairman, first and foremost, we believe that the special allowance program must reach as many as possible of our impoverished and low-income population. There are many thousands of this population who, for a multitude of reasons, do not participate or are not granted eligibility for participation in any of the so-called categorical assistance programs, including food stamps, AFDC, or SSI. To devise an allowance program which would necessarily exclude these nonparticipants would be inequitable and cruel, and all the more so because it is unnecessary, even in the operation of an allowance program during the winter which is upon us. As we heard from our previous witness, that winter really is upon us right now.

The Governors' association would propose that Congress establish an allowance program as one component of the three-component program I described, setting minimum standards and criteria for its operation, but leaving the responsibility for actual implementation to State governments.

In fiscal year 1981 and beyond, the States could be required to extend eligibility for this allowance to all participants in AFDC, SSI, and food stamps on the basis of categorical eligibility without the need for a separate eligibility determination process for those persons and also to provide the allowance as fully as possible to all persons and families whose income falls below a certain standard. We would suggest, for example, utilization of the Bureau of Labor Statistics' lowest living standard which is regionally varied, or some percentage of it above 100 percent, as that standard.

Although it appears certain that a number of States would have difficulty in establishing and operating such a program in the time frame necessary to extend assistance for this winter, we are confident that every State could, at a minimum, provide such assistance through either a combination of the AFDC and SSI caseloads on a categorical basis or through the food stamp caseload.

We would suggest that a State be allowed to choose one of these two sets as a minimum recipient caseload for fiscal year 1980.

The appeal of this program construct is that a substantial number of States will be both willing and able to expand the caseload for the allowance program beyond that which is minimally required and serve a larger proportion of that segment of the population which we would propose should be served ultimately. Mr. Chairman, I think this is a point you were making just a moment ago. And it is this appeal which causes us to favor this approach instead of either the approach which would firmly hitch allowance eligibility to food stamp eligibility or has been proposed by the administration for the coming winter: payment only to AFDC and SSI recipients.

In addition to this major consideration, operation by State governments will allow those States wishing to do so to combine or integrate with the federally funded allowance program either pro-

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grams of similar assistance which they have provided in the past or supplements of State funds by which to increase the allowances or to extend the eligibility beyond that limit set in the Federal program. Without question, this will lead to economies in the administrative costs and the size of the Government staff needed to provide the totality of State and Federal assistance.

We are confident that you are as eager as we are to see that the largest proportion of program funds possible will go to those who need the assistance rather than into administrative overhead.

Still another advantage of the State administration approach to solving our common problem is that it will allow each State to address such important variables as substate variations in type of fuel used, which, of course, can lead to substantial differences in cost impact, and also the desirability to provide the allowances to some persons and families in the form of vendor payments. Neither the administration's 1980 proposal nor the fuel stamp concept contain this kind of important flexibility to nearly the same degree, if at all.

Mr. Chairman, the Governors' Association is, at this time, assembling its specific policy as well as specifications for a proposal based on that policy for presentation before committees of the Congress which would have jurisdiction over the type of comprehensive program we advocate.

We would like to work with each of you and your staffs as Congress acts on legislation of this nature, and I would like, once again, Mr. Chairman, to commend you and the members of this subcommittee both for the concern which led to the scheduling of this hearing and for the considerable effort which is reflected in the proposals which pertain to fuel stamps and to connection of a low-income energy-assistance program to the food stamp program which have been introduced in the Congress: your own proposal, Mr. Chairman, Mr. Sabo's, and others.

I would finally like to conclude with two other comments.

First, I would urge you to continue to press mightily for the enactment in the immediate future of a workable, equitable, substantial assistance program. Time is of the essence, and we must have action now.

Obviously, I would encourage you to support a program of the type and construct of that which I have just briefly described.

On behalf of the Governors, I would suggest that your constituents will be more completely and satisfactorily served; more of the tax dollars which must be invested in such a program will actually reach and benefit those in need; and we will be able to operate a more rational assistance system if the States are given the responsibility to determine its specific complexion within federally established boundaries than if the Federal Government dictates an inflexible add on to any one or more of its existing categorical programs no matter how well intentioned such an effort might be.

This, in a brief description, Mr. Chairman, is our proposal. We look forward to working with you and, again, commend you for the excellent job you are doing in focusing attention on the need for action now, and I welcome any questions you may have.

Mr. RICHMOND. Thank you, Mr. Farber, and thank you for your testimony.

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We are certainly interested in the final plan that the Governors' Conference adopts. When will this plan be completed?

Mr. FARBER. Our Committee on Human Resources met to determine its final specifications earlier this week, and I believe that we will have a final plan in form for your review next week.

Mr. RICHMOND. We look forward to seeing it, and I thank you for coming here today.

We now have a vote on and will be back in 10 minutes.

Thank you.

[Recess taken.]

Mr. RICHMOND. Our next witness is Mr. Phillip Gartenberg, executive deputy commissioner, New York State Department of Social Services in Albany.

Good morning, Mr. Gartenberg.

STATEMENT OF PHILLIP GARTENBERG, EXECUTIVE DEPUTY COMMISSIONER, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

Mr. GARTENBERG. Good morning.

I would like to thank the chairman and the subcommittee for the opportunity to testify this morning.

Before I begin, I would like to express the regrets of Commissioner Blum who would have liked to have been here this morning, except that he had a longstanding prior commitment which prevented him from being here.

We in New York consider the problem that this subcommittee is addressing to be a critical one and a life-threatening problem for a large segment of the State's population. Our experience clearly indicates that the most vulnerable segments of our society—the poor, the elderly, the infirm, and those on fixed incomes—are severely impacted by inflation and particularly by the rising cost of fuel.

The cost of home heating oil, as has been testified to before, has already doubled and will probably cost over $1 a gallon in New York State by the end of the current heating season. We expect a significant increase in natural gas prices as well.

We also anticipate that many fuel suppliers will be increasing their requirements for cash payments before assuring delivery. For example, we have been apprised of individual situations where a family had a budget plan which last year required $65 a month and is now requiring $150 a month in order to maintain payments.

Individuals who are at risk are literally faced with the choice of purchasing fuel or purchasing food. This situation is clearly intolerable and requires action on the part of all levels of government.

The State of New York has clearly recognized the nature and extent of the problem facing us this winter. The Governor has appointed an interdepartmental task force composed of the commissioners of all the agencies that have a bearing on the fuel problem or who have clients who are at risk in terms of the fuel problem.

The task force has dealt with and is dealing with such issues as the identification and location of fuel supply, the promotion of conservation, and the identification of the specific elements of the population at risk.

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The staff of the department of social services has developed as comprehensive a program as we can within the limitations of available resources and existing State and Federal programs. We intend to respond to the needs of our clients as well as to others who are in need, as best we can.

We are analyzing such initiatives as the use of additional allowances for fuel on a one-shot basis where it becomes critically necessary; the use of emergency assistance to families for both public assistance and eligible nonpublic assistance families for the 30-day time period limited by law; the use of vendor payments where possible; and the maximum utilization of the State's emergency assistance to adults for the SSI population where necessary. Also, we are looking at all efforts to promote energy conservation.

We are now in the midst of a series of regional meetings which commenced last week and will be completed by September 30. These meetings are with each local district in the State where they are being informed of the program options that are available and are being asked to determine and decide on a program which best meets the local needs within, again, the availability of programs and resources.

We have brought outside experts into each of these sessions, and we have had the full cooperation of such organizations as the cooperative extension program in many counties around the State.

A number of Federal proposals have been put forward, and as have other speakers, I commend this subcommittee for considering them. From our perspective, it is critically important that whatever program is enacted it must meet the following criteria.

The programs must be operational immediately, they must be administratively simple, and they must be sufficiently flexible to allow for State-by-State variation in terms of governmental structures that are in place.

We believe that we have many of the mechanisms in place in New York to administer a program immediately. Our principal concern is, obviously, the availability of sufficient funds provided on a timely basis. Furthermore, the funds provided must deal with two very distinct groups of individuals. The first group of people are those who own their own homes or who pay heat and energy costs separate and apart from rent. In New York State, these individuals comprise roughly 25 percent of our public assistance population and, obviously, a large percentage of the nonpublic assistance population would be eligible. The second group of people are those who pay rent and whose rent payments include a computation for fuel.

The crisis assistance program which has been spoken of, which currently has an appropriation of $200 million and for which an increase of an additional $200 million is, I understand, being considered, would provide a critical element for providing assistance to families who purchase fuel separately.

The special energy allowance also being contemplated would provide broader coverage for all individuals, whether or not their rents included a separate computation for fuel, and would be more flexible than the crisis intervention program.

Virtually all renters in New York City come under the latter category, for example. Our figures indicate that less than 1 percent

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of the individuals in New York City pay fuel as a separate item from their rent.

If both programs are implemented and adequately funded, we will be able to structure a program in New York State that could broadly meet the needs of the at-risk population. Any reductions, either in terms of support or in terms of program categories, would require us to make some very, very difficult choices.

We believe that direct cash assistance programs are the most effective means of providing assistance. A number of other proposals have been put forward, particularly the energy stamp program, and we have great concerns about energy stamps.

First, we view energy or fuel stamps as being extremely difficult to administer. States would have to engage in contracts with issuing agents, issue authorizations to households, reconcile authorizations to stamps, and pay transactions to agents. Aside from the cost of such a program, it will be extremely difficult to conceive of how such a program could be put in place in time to meet this winter's needs.

Second, the allotment of food stamps is based on a nationwide norm. If an energy program were to adopt a similar approach, then the needs of States such as New York where heating costs are very high might not be adequately met.

Third, we have been working extremely hard to reduce and eliminate the stigma attached to the food stamp program. We believe we have made great progress in this area; however, obviously, we have not been totally successful. The carryover stigma of this program to the fuel stamp program might deter many needy people from participation.

Fourth and finally, if the energy stamp program were applied to nonpublic assistance households, there would be a need for a number of logistical steps in terms of separate application forms, the development of training programs, and the initiation of a new outreach effort. In addition, we would foresee a potential problem in terms of issuing agents.

In New York State, banks serve as the issuing agents for the food stamp programs. We pay each bank a fee for the services they provide. We would anticipate an additional fee would have to be proposed as well as establishing an additional layer of organization negotiation.

Again, I repeat that I would see it being extremely difficult to implement such a program this year.

The program that has been proposed by Congressman Richmond, H.R. 5265, provides a different means of approaching the problem. We have just had a chance to take a look at it, and, indeed, there are a number of possibilities involved, and I would like to possibly have a chance to look at that more deeply before I would comment on it.

In conclusion, the crisis that is before us is one that is new in terms of its magnitude. It is not new in terms of the problems that the poor have been facing and the near poor have been facing in prior winter seasons. We believe that we have many of the mechanisms in place to quickly, effectively, and efficiently administer a program which would ameliorate many of the needs of the people who are at risk. What we do not have, however, is sufficient

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resources and I would urge the careful consideration of those programs which are simple in their design, which increase the support to existing programs, and which are already dealing with the fuel needs of many of the poor.

Thank you, again, for the opportunity to appear here today.

Mr. RICHMOND. Thank you, Mr. Gartenberg.

From your testimony, I see that you and your department are not very much in favor of a fuel stamp project to be administered by your food stamp administration.

Mr. GARTENBERG. That is correct.

Mr. RICHMOND. There is no question that your agency can give emergency assistance to people on AFDC. You already have those records—and SSI.

Mr. GARTENBERG. That is right. Those are in a limited number of situations and for a specific time period.

Mr. RICHMOND. All right. How would your agency propose to help the working poor without a fuel stamp type of operation?

Mr. GARTENBERG. Without a fuel stamp type of operation?

Mr. RICHMOND. For example, your agency right now has not even identified the working poor in the State of New York because they are not on AFDC and many of them are not on food stamps.

Mr. GARTENBERG. That is correct.

Mr. RICHMOND. How could you possibly help them with their fuel emergency this winter?

Mr. GARTENBERG. There are a number of possibilities. Again, they are extremely limited. We would hope that, through an outreach effort, we would be able to inform people of the availability of programs, either through the State's emergency assistance to adults program, possibly through the State's home relief program.

These programs, I must emphasize, would be there and would be able to meet a specific need for a specific time period. There would not be a more general type of program that would help the working poor throughout an entire winter season.

For example, if a family were without resources at a particular point in time and were facing the risk of having their fuel shut off, we could provide assistance through one of the programs I just mentioned. That would meet that particular need; it would not bring that family through the entire winter period.

Mr. RICHMOND. That is a fairly insensitive answer, Mr. Gartenberg.

We know that the working poor will be paying twice as much for their fuel as they did last year. We know that last year they spent 13 percent of their income on fuel. This year, it appears that they will be paying 26 percent.

You are saying, "We will take care of them if they are about to freeze to death." Do you not think that we ought to have a reasonable plan in place?

Mr. GARTENBERG. I would hope so, with the assistance of the types of programs that we are talking about.

Mr. RICHMOND. Your testimony this morning did not touch on the plight of the working poor. They are not on your welfare rolls now. They are not on SSI. These are people who are trying to make a living and who are going to be in deep, deep trouble this winter.

Mr. GARTENBERG. That is correct.

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Mr. RICHMOND. I would hope that the Department of Welfare of the State of New York would have some idea of how they would like to help them.

Mr. GARTENBERG. If the types of programs that we are talking about were implemented, we would have sufficient resources to reach far more broadly than we do within the available resources we have now.

Mr. RICHMOND. You are only talking about emergency programs such as in the case of a blizzard when somebody's fuel runs out. That is not what I am thinking about at all. I am thinking about a steady program that would operate for 4 months of this year, that would add at least $600 into those families monthly incomes, because that is exactly what they are going to need. They are going to need an extra $150 a month for 4 months.

Mr. GARTENBERG. With State and local resources, or with Federal participation?

Mr. RICHMOND. I propose that the money be Federal money out of our windfall profit tax accumulation administered by the States.

Mr. GARTENBERG. That is correct. I think that, with that assistance, we would be able to develop and implement a much broader program.

I did speak about the poor as well as the near poor, and if my testimony indicated that I was specifically limiting it to that population, I am sorry, but I did want to extend it much more broadly within the availability of resources.

Mr. RICHMOND. Thank you very much, Mr. Gartenberg.

Our next witness is Mr. Jeff Kirsch, acting director of the Food Action and Research Center, Washington, D.C.

Good morning, Mr. Kirsch. It is always a pleasure to have you here.

STATEMENT OF JEFF KIRSCH, ACTING DIRECTOR, FOOD ACTION AND RESEARCH CENTER, WASHINGTON, D.C.

Mr. KIRSCH. Thank you, Mr. Chairman.

I thank you again for giving us a chance to testify here today.

You have asked us to testify about the needs of the poor and near poor for assistance in heating their homes this winter and otherwise retaining some control over their budgets that they have in light of soaring energy costs.

I would like to first point out, though, that the question really is not one of solely energy, or health, or housing. It is a problem of poverty. It is a problem of people not being able to meet tight budgets, and I think the problem has to be kept in mind as we look at the energy needs of people.

You have heard from other witnesses yesterday and today about how poor people's budgets are disproportionately consumed by the necessities: Food, housing, health, and energy, and how those necessities have risen in cost more quickly than the cost of living generally.

More specifically, you have heard how energy price decontrol and OPEC pricing schemes will have caused poor people to spend at least an additional $10 billion between 1978 and 1981 beyond the amount they would have had to pay had not oil been decontrolled or OPEC not raised prices. Already, low-income families spend

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about 25 percent of their income on energy, as opposed to just about 10 percent for the rest of the population. But if this winter's energy costs rise by even 50 percent over 1978, about 38 percent of a low-income person's budget will have to be devoted to energy.

Poor people simply cannot absorb such massive increases in energy costs. Their budgets are so tight that increases at one point leave a hole at another. And you know, Mr. Chairman, better than most of your colleagues, that food is the most elastic item in the budget, the expenditure that will yield first when pressure is exerted.

Thus, we have the crisis this winter. But the poor do have a choice. They can either freeze, or they can starve. And we will have people dying this winter, whether slowly by lack of proper nourishment, or more quickly by freezing to death, or suffocating as they sit in their cars with the heaters running in order to get heat—if they can afford gas to run their cars.

The problems, I am afraid, have been exacerbated by the 1977 Food Stamp Act reforms.

According to the Congressional Budget Office, over 200,000 households have been cut out of the food stamp program completely, including almost 18,000 households with an elderly person in it. Of the households left in the program, about 1.5 million of them have been seriously hurt by having their benefits significantly reduced—including over 200,000 elderly households.

As we are looking at energy needs, let us look at New England, the region most affected by energy costs. In that six-State region, almost 11 percent of the entire caseload have been eliminated from the food stamp program. This represents over 30,000 households that no longer have food stamps to depend on. Of those remaining on the program, over 105,00 households or 41 percent of the entire caseload, have had their benefits significantly reduced.

The paradox of these cutbacks, Mr. Chairman, is that most are caused by the inadequate shelter deduction in the 1977 law, shelter deduction that you fought to improve but that you lost in the face of opposition on the full committee. That provision allows households to take into account excessive shelter needs in order to measure disposable income.

So, here we are trying to deal with energy problems after the Congress helped to cause the problems 2 years ago with pennywise and pound-foolish food stamp reform.

I wish Mr. Glickman had stayed around because Mr. Glickman, this summer, and some of your colleagues on this subcommittee, and some of your colleagues on the full committee voted against spending $165 million to remove the ceiling on the shelter deduction. Talk about pennywise and pound-foolish; now we are talking about spending over $200 billion to try to account for some of that damage. It is incredible.

There are so many serious problems this winter that I do not know how you can deal with them, even if the Congress commits itself to working quickly. At least you recognize the seriousness of the problem and have determined to try to do something about it.

I do hope, however, as we approach solutions to this upcoming crisis, that we keep in mind the ongoing nature of the problem of poverty in this country. Increasing the food stamp allotments or

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establishing a fuel stamp program, or creating any other program to resolve the problem is not going to resolve the problem of poverty and unemployment.

We need an overhaul of the income maintenance system and the establishment of meaningful jobs for those who can work. Only then will we not have to continually come before you and your colleagues asking for another hole to be plugged in a system that is too full of holes.

The welfare reform debate is going on now. The Ways and Means Committee is just finishing up its work and it is going to the floor. I am really afraid that this attention going toward energy and low-income energy assistance is going to sidetrack that welfare reform effort and I hope that the Congress is able to handle two important chores at the same time.

I am sorry to have taken up so much of your time with this kind of presentation because you have heard it before and I know that you are in substantial agreement with it. I wish more of your colleagues were here so that I could try to convince them as well. However, I am continually struck by the piecemeal manner in which the Congress approaches these problems. Indeed, much of the problem we are addressing today—at least $2 billion, by the Government's own figures in increased energy costs for poor people—was caused by decontrol of oil. We have let the oil companies reap excessive profits from the energy needs of our citizens and then we tax these profits. We take a portion of that windfall tax—a pittance really—and say we will use it to resolve the crisis of energy this winter, which is caused in large part by decontrol.

You are a businessman, Mr. Chairman, and you know that if you ran your business this way you would be bankrupt.

What do we recommend as a solution to this winter's problems? You know we are not experts on energy; we are experts on food and food delivery systems. But we do know the problems of poor people; we do know how the food stamp program works, and we have a number of principles that I think should be kept in mind as you try to resolve the problems facing energy use.

Principle 1: You must get help to people this winter. The best program in the world will be of no use if it reaches people in March; people will die.

People will have health and life threatening problems immediately, so I encourage you to sacrifice some programmatic niceties and some concept of program tightness in order to get people the help they need. In this regard, I congratulate you, Mr. Chairman, for recognizing the immediacy of the problem and suggesting a scheme that uses existing resources that can be done quickly and effectively.

Principle 2: There must be universality of coverage. You must try to reach all of those in need of energy assistance. You need to help the welfare poor, certainly, and the working poor as the budgets of the near-poor are no better protected against the outrageous increase in prices.

We suggest that the food stamp program and the supplemental security income program best meet the standard of broadbased coverage. While we disagree strongly with the Carter administration's approach of aiming at just the AFDC and SSI programs, the

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food stamp program is the only noncategorical program—you do not have to be blind, elderly, or dependent to be eligible—and includes some of the working poor who need help. There are, however, some AFDC households that do not get food stamps, so the welfare offices would have to make sure those households participate as well.

This effort will not reach all in need, however. Half of the people who are eligible for food stamps do not get them, and some allowance must be made for them and for others just above food stamp eligibility. This is especially true in New England where some of the 1977 reforms knocked out 30,000 households who are in need of assistance.

For these households, we would support the type of crisis intervention program suggested by the administration which could be run by the community action programs or other nonprofit groups, especially where there are no community action programs, for people who are not eligible for regular cash assistance or other benefits through this program and who need some help because of an emergency.

Principle 3: There must be adequate funding. If you want to help people survive this winter, you must devote the necessary resources to do the job. Symbolic gestures of assistance will not suffice. The $1.6 billion direct assistance proposed by the administration simply will not be adequate. Any energy assistance program benefit should be an entitlement for any household meeting the eligibility requirement, and the amount of that entitlement should be sufficient to offset increased energy costs that must be met this winter.

If you assume that 1,000 gallons of oil will be consumed by the average family and that the price of that oil increases from 50 cents to anywhere from 85 cents to $1, that means that poor people's budgets will increase, for energy use only, from $350 to $500 a season—for the 4 months. I think that kind of amount per family in need has to be considered. The average benefit of $200 which the administration is suggesting, is inadequate.

Principle 4: The assistance provided through any energy program should be available to meet all energy needs, not just home heating oil. Energy costs generally are destroying poor people's budgets, and assistance is needed to meet all these costs, whether they be the cost of electricity, gas, wood, coal, or other energy sources.

Principle 5: Renters, in apartments as well as in homes, should be included in any energy assistance effort, regardless of whether they pay their heating costs separately. While there are exceptions, it is fair to assume that the cost of heating an apartment building or house is passed along to renters.

Principle 6: All efforts should be made to avoid the establishment of a new bureaucracy, office, or distribution system. Poor people do not need another office to go to, or another caseworker to answer to. In addition, participants in any energy assistance program should not have to go through any additional verification or certification process if they have done so already for another means-tested program.

There have been a number of legislative initiatives to deal with the energy problems that poor people will face this winter. One popular approach has been termed "fuel stamps." This approach,

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sponsored by Representative Sabo and Senators Mathias and Biden, would create a coupon for fuel purchases and would piggyback on the food stamp program. We believe this approach to be an impractical method of resolving the problem.

The biggest problem is that it simply cannot be put in place this winter. There would obviously be the need to print and distribute the new stamps, to certify fuel companies to accept them and, in many cases, new legislation would be required. In addition, the Sabo plan would not allow any variance in benefits based on heating needs, and would prevent renters from participating. In addition, a fuel stamp program that only used the food stamp program would miss all those who need help but do not receive food stamps. Finally, a fuel stamp program would put a strain on the operation of the food stamp program, unless additional staff and office hours were created—which may not be possible without additional State funds or enabling legislation.

Another approach is embodied in legislation offered by such Senate leaders as Senators Williams, Nelson, and Javits. This legislation would expand on the type of crisis intervention program that has been run in the past, and would rely on vendor payments to utilities. The Nelson plan also includes a major weatherization component. We are doubtful that such a program could be fully operative this winter to the extent necessary to meet the overwhelming need. In addition, delivery systems would have to be established and poor people would be subjected to a new certification and verification process. It is also unclear how renters, who do not pay for fuel bills separately, would participate in such a program. However, we do believe that some sort of crisis program is necessary, as we have indicated earlier, and we certainly support the concept of weatherization as a tremendously cost-effective measure, and one in which people could productively be employed.

Another method of distributing energy assistance that is recommended in some of the legislation is a block grant approach. We are strongly against giving States a block grant and letting them determine the assistance that should be provided. We have seen this approach fail countless numbers of times, including welfare programs and food stamps. We need to have Federal standards to deal with this national problem. We need to avoid the kind of bureaucracy that would have to be created to administer the block grant, and from what history shows, block grants generally go against the notion of universality of coverage.

Mr. Chairman, you have offered a plan just for this coming winter, thus recognizing the immediacy of the problem and the need for additional investigation in terms of planning. You have rightly recognized that people will have to make an impossible choice this winter of "heat or eat." Thus, you have chosen to increase the food stamp allotment in order to free up money that would otherwise be used for food that could be used for energy.

FRAC supports your notion of aiming assistance where it is most needed and the fact that your plan requires no new bureaucracy or certification processes. The less money that is available, the more the targeting you have suggested is required.

However, we do have some reservations about your plan. First, you will miss those people not on food stamps. As you know, this

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includes many SSI recipients who, for many reasons, do not get food stamps. I think you know more than most of your colleagues how important it is to try to reach the people who, for one of many reasons, do not get food stamps.

Second, we are concerned about how your plan would help the poorest of the poor who receive a full or almost full coupon allotment now and for whom little cash would be freed for energy-related costs. This problem could be resolved by certifying energy companies or oil companies to accept food stamps, which may be a good alternative but would create some additional problems. This is a difficult but not impossible task.

Finally, I am worried about the effect your program would have on food stamp deliberations this fall or winter. There are many opponents of the food stamp program and I think many of those people would jump on the chance to attack the food stamp program for spending $3 billion or more above the cap. You are in a much better position to judge those political ramifications than I am.

While we support your efforts to meet the needs this winter, Mr. Chairman, we firmly come down on the side of cash payments to help families meet their energy costs. Cash payments are the most direct, most flexible way of helping poor families balance demands that are usually impossible to balance. Poor people are always struggling to make ends meet with the tight budgets they are forced to live on and cash best gives them the vehicle to make the choices most helpful to them.

Fuel and energy needs vary by geographic areas, as well as for households within those areas, and cash helps them meet those varied energy needs. Cash also avoids the need for any additional certification of vendors.

Finally, cash gives people the chance to make their own judgments and, unfortunately, their own mistakes. But I think we have found that by forcing people to budget, we have created some dependency that I think is a negative factor in our welfare programs. I think we have seen some of those problems with the elimination of purchase requirements where people got fewer stamps but the same amount of total money but were lost because they were used to being budgeted through their food stamp allotment. I think that is the kind of dependency we should discourage.

We suggest that all food stamp recipients simply receive a check from the States with Federal money as well as all SSI and AFDC recipients who do not get food stamps. The amount of the payments should vary according to the heating needs of the States in which the recipients live and by household size. The administration's plan in these regards is inadequate.

First, the administration has not used the most broadbased program—food stamps—thus ignoring the working poor and other poor people who are not eligible for categorical programs. Second, the administration gives single-person households half the benefits that other households receive. We would suggest, rather, that you have a benefit for one-person households, a benefit for two- and three-person households, and then a third benefit level for households of size four or more.

The major problem with the administration's proposal, however, is that the amount of assistance is inadequate, especially the $1.2

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billion for "special energy allowances." We do not believe this will be sufficient to meet the needs of poor people for the most minimal assistance, although we do not have enough data at this point to fully evaluate the plan.

We do believe, however, that your plan, Mr. Chairman, may focus the assistance that is available more fairly than the administration's plan, given the need for heating assistance. Unfortunately, given the time in which we had to prepare for this hearing, we are unable to give you a more thoughtful perspective on the funding of the program.

I think it is useful to simply look at one fact: Last year home heating oil cost about 50 cents a gallon, and this year it will cost anywhere from 85 cents to $1 a gallon. Using an estimate of a family needing 1,000 gallons a heating season, this is an increase in a budget of between $350 and $500. Alone, this represents a real burden for any family, especially poor people. Added to inflation generally, and other energy costs such as gasoline and electricity specifically, people's budgets are going to burst unless they have savings. Any low income assistance program should attempt to make up this loss.

Mr. Chairman, I think cash assistance, bolstered by crisis relief, is the most practical choice available this winter, as well as for a long term solution. Work must start immediately to get a program in place for December, and I urge you to work quickly on some assistance effort.

Whatever plan you and your colleagues choose must be accompanied by an effective outreach program so that people know what they are entitled to and receive their fair share. If we can be of aid to you in that effort, you know you can count on our support.

Thank you for giving me the chance to be here this morning.

Mr. RICHMOND. Thank you very much, Mr. Kirsch, for your very thoughtful testimony.

I would like to study your testimony carefully and see how we can learn the implementation of the bill I have pending.

So far we have had fairly negative reaction, as you know, to the whole concept of fuel stamps, but still I do no see any way of helping the working poor without using the food stamp administration.

Mr. KIRSCH. I think that is true, Mr. Chairman, and I think that the administration's fear is—and I think they would be quite frank about this—that they are afraid of increasing food stamp program costs because they are afraid of the effect that will have on the cap. I cannot judge that; you are in a better position to know that.

But I think it is important not to be pennywise and poundfoolish. I think the food stamp program does offer the best vehicle. I think you have decided that, and I think you are right. I think cash is the best vehicle for doing that, but the administration, I think, is just being shortsighted in ignoring the food stamp program.

Mr. RICHMOND. As far as Congress worrying about the cap is concerned, I think if they knew that $2 billion of the money over the cap for emergency relief came out of the windfall profits tax fund we would not have a problem.

Thank you very much, Mr. Kirsch.

Mr. KIRSCH. Thank you for having me.

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Mr. RICHMOND. Our last witness this morning is Mr. James Hacking, assistant legislative counsel of the National Retired Teachers Association and American Association of Retired Persons, Washington, D.C.

STATEMENT OF JAMES HACKING, ASSISTANT LEGISLATIVE COUNSEL, NATIONAL RETIRED TEACHERS ASSOCIATION AND AMERICAN ASSOCIATION OF RETIRED PERSONS, WASHINGTON, D.C., ACCOMPANIED BY LAURIE FIORI, LEGISLATIVE REPRESENTATIVE

Mr. HACKING. Thank you, Mr. Chairman.

Accompanying me this morning is Ms. Laurie Fiori who is a member of our legislative staff.

In the interests of time, I would like to submit my statement for the record of these hearings and proceed from asummary of that.

Mr. RICHMOND. Without objection, it will be included in the record.

[The prepared statement of Mr. Hacking appears on p. 112.]

Mr. HACKING. For the record, my name is James Hacking. I am the assistant legislative counsel for the 12.5-million-member National Retired Teachers Association and American Association of Retired Persons.

No group of citizens in this country is more vulnerable to and less able to cope with increased energy costs than the elderly poor. As I am sure you are aware, the incomes of the elderly poor are not keeping pace with the rate of inflation. Most of their income is spent on necessaries, and necessaries over the past several years have been those items that have been increasing the fastest in price.

In the second quarter of this year alone, necessaries—food, housing, medical care, and, of course, fuel—were increasing in price on an annualized basis at the rate of 18.6 percent.

In addition, advancing age is often accompanied by chronic illness and hypothermia, conditions which make conservation of fuel difficult if not impossible.

There is an urgent need for aid this winter, and Congress must act very quickly to insure that energy assistance programs for the poor will be in place and operative in time to meet that need. Time is running out. Because of the time factor, program structures already in place must be used to distribute energy assistance aid.

Both H.R. 5039 and H.R. 5265 would provide additional benefits to the food stamp program. That is fine as far as it goes. But we would urge this subcommittee not to view this legislation in an isolated context. Energy assistance available under the food stamp program must be coordinated with assistance that will hopefully be made available through other programs such as aid to families with dependent children and supplemental security income.

The Carter administration has proposed cash assistance programs that would reach large numbers of low-income persons who would not be reached through the mechanism of the food stamp program.

In our association's view, the target population for energy assistance must, at a minimum, include SSI and AFDC recipients, addi-

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tional individuals who participate in the food stamp program, and other individuals who fall in the near-poverty category.

As you know, elderly participation rates in the food stamp program have been rather low. Only half of eligible elderly SSI recipients receive food stamps, and a recent Department of Agriculture study indicates that less than 40 percent of all elderly eligibles participate. To reach all persons who should be eligible for fuel assistance, a number of existing programs are going to have to be used.

We recognize that many of the necessary components do not fall within the jurisdiction of this subcommittee. This is a major problem; it is a problem for the Congress. However, as various proposals move through congressional committees, attempts must be made to ensure that the energy assistance programs which the Congress must fashion will mesh together in a coordinated manner so that there is a minimum amount of overlap and so that needy individuals do not fall between the cracks and end up receiving nothing at all.

Our associations have several specific comments to make regarding both H.R. 5039 and H.R. 5265.

First, with regard to the Fuel Stamp Act, it is clear that it would be far too difficult to establish and implement in time for this winter. That is its major deficiency, in our view.

Second, the $50 maximum level and $20 minimum level of fuel stamp assistance may prove inadequate in many instances. An additional $20 of benefits may prove to be a drop in the bucket to many recipients who live in northern States and who will see their fuel bills more than doubled. Similarly, the $50 maximum may prove to be too restrictive for larger households. The maximum/minimum levels of fuel stamp benefits available to a household would have to be set at higher levels, perhaps $75 and $35.

Third, H.R. 5039 limits the availability of fuel stamps to the months of December through March while, in many parts of the country, cold weather begins in October. Provisions would have to be incorporated to permit certain States to provide fuel stamps in earlier months based on the weather conditions prevailing.

Related to this point is the obvious problem that a fuel stamp program is not completely sensitive to State-by-State weather variations affecting the level of heating fuel needs.

Shelter cost deductions are a factor in determining the level of food stamps benefits, and therefore there will be some connection between the level of fuel stamp benefits and the size of heating bills. We still have to look to other energy assistance programs to compensate residents in colder regions of the country.

The statement I have submitted for the record, Mr. Chairman, cites other problems and deficiencies with respect to the Fuel Stamp Act. I will not go on to enumerate them; I think they have been covered by previous witnesses.

I would just say that, at this point, our associations would urge the subcommittee to set aside the Fuel Stamp Act and concentrate its attention on one of the other options that are available.

I would like to comment now on H.R. 5265, which would increase food stamp allotments in States with the greatest energy needs.

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While it is unclear exactly what level of benefits would be available under this bill, it obviously would be far simpler to implement and would cost less to administer than the fuel stamp program. Therefore, H.R. 5265 is a more realistic proposal for providing energy assistance in the coming months, and it targets its assistance on the coldest States.

I guess our main concern with this particular bill is that, all by itself, it would not reach the whole target population that must be reached.

Another concern with the bill is that, for very low income persons, increasing the amount of food stamps they receive may not ultimately help them pay their fuel bills. H.R. 5265 contemplates that if food stamps are increased, cash will be freed to be spent on fuel. For extremely low income individuals who are receiving large allotments of food stamps, H.R. 5265 may provide them with some more food stamps, more food stamps, perhaps, than they need for food.

Despite this, the bill is a reasonable proposal and, in our view, is certainly preferable to H.R. 5039. But perhaps it is not the best option.

Our associations think the best answer at this point is to use direct cash payments to food stamp participants based on the level of their food stamp allotments. It seems this direct cash payment approach would alleviate some of H.R. 5265's inherent problems which stem from the fact that it tries to provide fuel assistance with food stamps. In comparison to fuel stamps, direct payments would also be far more simplistic, cost less administratively, and reduce the potential for fraud or black markets.

We urge this subcommittee to construct legislation that provides energy assistance to food stamp program participants utilizing the direct cash payments.

I thank you for having had this opportunity to present our views.

Mr. RICHMOND. Thank you very much, Mr. Hacking, for your testimony. We appreciate your coming and will certainly give your testimony as well as the rest of the testimony we have heard this morning the greatest of consideration.

[The prepared statement of Mr. Hacking follows:]

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STATEMENT OF JAMES HACKING, ASSISTANT LEGISLATIVE COUNSEL, NATIONAL RETIRED TEACHERS ASSOCIATIONS AND AMERICAN ASSOCIATION OF RETIRED PERSONS

Mr. Chairman, Members of the Subcommittee, thank you for giving me the opportunity to testify on H.R. 5039, the Fuel Stamp Assistance Act of 1979 and related energy assistance proposals. My name is James Hacking, and I am Assistant Legislative Counsel for the National Retired Teachers Associations and the American Association of Retired Persons.

Our 12.5 million member Associations are very concerned with the skyrocketing cost of energy and its impact on the fixed-income aged. No group of citizens is more vulnerable to and least able to cope with these increased costs than the elderly poor. Advancing age is too often accompanied by chronic illness and hypothermia, conditions which are obviously exacerbated by lack of sufficient heat and make conservation of fuel a virtual impossibility.

There is an urgent need for aid this winter and Congress must act quickly to ensure that energy assistance programs for the poor will be in place and operative in time to meet that need. The Administration has estimated that even the most simplistic type program--that is, direct cash assistance--to SSI recipients will take at least 60 days from the date of enactment to implement. Time is obviously running out.

Our Associations would like to indicate our general support for legislation that would utilize a program structure already in place and thereby permit the distribution of aid with a minimal amount of delay or administrative expense. There is little time left before the onslaught of winter and we must therefore rely on existing programs for the speediest method of allocating desperately needed funds. We view both H.R. 5039 and H.R. 5265 in a favorable light because both would provide additional benefits through the Food Stamp Program and thus represent one vital and necessary component of a much broader and more comprehensive plan to provide energy income assistance to all needy individuals.

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We would urge this Subcommittee, however, not to view this legislation in an isolated context. Energy assistance available under the Food Stamp Program must be coordinated with assistance that will hopefully be made available through other welfare programs, such as the Aid to Families with Dependent Children and Supplemental Security Income Programs. The Carter Administration as well as many Members of Congress have proposed cash assistance programs that would reach a large group of low-income persons that are not reached by the Food Stamp Program.

We do not agree with the Administration that direct cash assistance should be provided only through these two programs (AFDC and SSI). From the point of view of the elderly, the target population for energy assistance must at least include SSI recipients and be extended to cover additional individuals who participate in the Food Stamp Program as well as individuals who fall in the near-poverty category (125% of the poverty level). It is a well-known fact that, for a variety of reasons, elderly participation rates in the Food Stamp Program have been low. Only half of eligible elderly SSI recipients receive food stamps and a recent Department of Agriculture study indicates that less than 40% of all elderly eligibles participate. Problems of reduced mobility and the welfare stigma that accompanies using food stamps have been barriers to elderly participation.

We are hopeful that the provisions of the 1977 Food Stamp Act Amendments which improve coordination of the Food Stamp and SSI Programs and simplify intake procedures will begin to be aggressively implemented by state agencies so that increased participation of the elderly will be facilitated. These procedures call for permitting certification for SSI households at local social security offices as well as at home, on the telephone or through the mail in the event eligible persons are unable to reach a certification office. Our energy cost crisis heightens the need for using these procedures to reach out to needy persons and bring them onto the food stamp rolls.

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For these reasons, we believe efforts must be made through existing and new program devices to reach all potential eligibles. We recognize that many of the necessary components of a comprehensive energy assistance program do not fall within the jurisdiction of this Subcommittee. However, as various proposals move through the congressional committees, we would hope that attempts will be made to insure that the patchwork of energy assistance programs which Congress will produce will mesh together in a coordinated fashion so that there is a minimum amount of overlap and, most important, so that needy individuals do not fall between the cracks and receive no energy assistance at all. We realize this will be a difficult task unless a concerted effort is made to facilitate communication among the numerous committees with jurisdiction over this type of legislation.

Our Associations have several specific comments to make regarding both H.R. 5039 and H.R. 5265. First, with regard to the Fuel Stamp Act, we believe this proposal has some merit as a program to be implemented for next year. However, it is clear that it would be far too difficult to establish and implement in time for this winter. The Food and Nutrition Service estimates that it would take 9 to 12 months to organize the necessary staff, draft regulations, print stamps and certify providers of fuel and landlords. States would have to be given time to draw up plans and seek legislation to authorize funds to administer the program. The administrative and logistical difficulties surrounding this bill obviously make it impractical as a relief program for this year.

Second, the $50 maximum level and $20 minimum level of fuel stamp assistance available under H.R. 5039 may prove inadequate in many instances. An additional $20 of benefits may prove to be a drop in the bucket to many recipients who live in the northern states and will see their fuel bills more than double. Similarly the $50 maximum may prove too restrictive for larger households. The maximum and minimum levels of fuel stamp benefits available to a household should be set at higher levels of perhaps $75 and $35. The Department of Energy predicts a

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50 percent rise in the price of heating oil this winter alone. The average low-income household will be spending 26 percent of its budgets on fuel. This price increase will not only affect home heating costs, but the cost of transportation, food and countless other consumer products as well. For many families, the level of monthly fuel stamp benefits provided under H.R. 5039 over a four-month period will not adequately absorb the shock of rising prices caused by energy inflation.

At present, poor families, especially the elderly poor spend from one-fourth to one-third of their income on fuel costs. The fact sheet which accompanies H.R. 5039 states that to qualify for $50/month of fuel stamps, "the income of a family of four could not exceed $519/month." Assuming a family of four with the maximum income allowed ($519/month) spends one-third of its income ($173) on fuel, it would be left with a mere $346 for rent, clothing and other expenses. If the cost of fuel rises by 50 percent as predicted, that same family will spend $259.50 (an additional $86.50) per month on fuel alone. The maximum amount of fuel stamps such a family can receive is $50/month. H.R. 5039 helps, but leaves a $36.50 per month gap. This gap will be widened further by the rising costs of clothing, food and transportation.

Third, our Associations believe the availability of fuel stamps should not be limited to the months of December through March. In many parts of the country, cold weather begins in October. We recommend that provisions be incorporated in H.R. 5039 permitting certain states to provide fuel stamps in earlier months based on weather conditions prevailing in each state. Related to this point is the obvious problem that this type of fuel stamp program is not completely sensitive to state-by-state weather variations affecting the level of heating fuel needs. Shelter cost deductions are a factor in determining the level of food stamp benefits and therefore there will be some connection between the level of fuel stamp

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benefits and the size of heating bills. We must look to other energy assistance programs to compensate residents of colder regions of the country.

Fourth, Section 6(a) of the bill should be reworded to specifically mention tenant-landlord participation. The fact sheet which accompanies the bill specifies that the intent of this section is to allow tenants who pay for the cost of energy through rent to their landlords to participate in the fuel stamp program. The present language of Section 6(a) should clearly express this intent. Section 6 also states that fuel stamps may be used to pay any person who sells fuel. The definition section of H.R. 5039 should specify that "person" includes a utility company, corporation or similar entity, otherwise the use of fuel stamps could be severely restricted.

Fifth, since winter is quickly approaching, we question the wisdom of Section 9 which requires a participating state agency to submit a plan for approval by the Secretary of Agriculture before a fuel stamp program can be established. Although such a requirement will be impractical for this winter. Section 14 of the bill acknowledges this problem since it is entitled "Retroactive Application" and states "fuel stamps shall be issued ... for any month beginning after November 30, 1979."

With regard to H.R. 5265, legislation that would increase food stamp allotments in states with the greatest energy needs, our Associations would make the following comments. Although it is unclear exactly what level of benefits would be available under the Emergency Fuel and Food Relief Act, it obviously would be far simpler to implement and would cost less to administer than the fuel stamp program. Therefore, it is a more realistic proposal for providing energy assistance in the coming months. It targets its assistance on the colder states and therefore would utilize scarce funds more effectively and efficiently.

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Our main concern with H.R. 5265 is that, for very low-income persons, increasing the amount of food stamps they receive may not ultimately help them pay their fuel bills. H.R. 5265 expects that if food stamps are increased, cash which would otherwise be spent on food could be freed up to be spent on energy needs. For extremely low-income individuals who are receiving large allotments of food stamps, H.R. 5265 may provide them with more food stamps than they need for food. For those food stamp participants who are on the higher end of the income distribution and whose food stamp benefits do not now adequately cover their food costs, H.R. 5265 would achieve the desired effect of providing assistance in paying their fuel bills.

These points lead our Associations to support the use of direct cash payments to food stamp participants based on the level of their food stamp allotments. It seems this direct cash payment approach would alleviate some of H.R. 5265's inherent problems which stem from the fact that it tries to provide fuel assistance with food stamps. In comparison to fuel stamps, direct payments would also be far more simplistic, cost less administratively and reduce the potential for fraud or black market activities. We urge this Subcommittee to construct legislation that provides energy assistance to food stamp program participants utilizing the direct payment approach.

In conclusion, our Associations commend this Subcommittee for expeditiously holding hearings on these proposals. We believe you have wisely recognized the urgency of this problem and hope you will proceed to markup legislation in the near future. Our Associations will do all we can to urge the other Committees of Congress with jurisdiction over this issue to consider related legislation and construct proposals that will complement this Subcommittee's work.

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Mr. RICHMOND. These hearings are now adjourned until further notice.

Thank you.

[Whereupon, at 11:30 a.m., the hearing was adjourned.]

[The following additional material was submitted:]

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STATEMENT OF THE

AMERICAN GAS ASSOCIATION

ON FEDERAL ENERGY ASSISTANCE PROGRAMS

October 1, 1979

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The American Gas Association (A.G.A.) is composed of approximately 300 natural gas transmission, distribution and integrated companies which serve over 160 million consumers in all 50 states. These companies account for nearly 85% of the nation's gas utility sales.

A.G.A. member companies are committed to meeting the energy needs of their customers and support the establishment of an equitable, permanent energy assistance program. As an outgrowth of this commitment, an A.G.A. Task Force on Fuel Subsidies was formed. It is the responsibility of this Task Force to investigate the issue of energy assistance to low and fixed-income consumers and, on the basis of this investigation, to offer policy guidance to A.G.A. on this important issue.

This responsibility has led the Task Force to monitor, and discuss with relevant staff, legislative proposals dealing with different forms of energy assistance. The Task Force has also developed liaison with persons in the Executive Branch -- both within the agencies and the White House -- who work directly on this issue. Finally, the Task Force has met with special interest and consumer groups representing both urban and rural constituents, who share a real concern in the resolution of the issue.

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In light of rising energy costs attributable to new gas prices, decontrol of domestic oil prices and current OPEC pricing policies, it is clear that such increasing energy costs will have a disproportionate impact on low and fixed-income persons. In addition, implementation of incremental pricing pursuant to Title II of the Natural Gas Policy Act (NGPA) will in all probability operate to increase these cost pressures on high priority residential natural gas users. This added burden results from the loss of load-balancing benefits when industrial gas users switch to an alternate fuel in response to incremental pricing. (A more detailed discussion of the relationship between energy assistance and incremental pricing can be found in Appendix A.)

Summary of A.G.A. Comments and Recommendations

- A.G.A. recognizes certain considerations regarding energy assistance legislation to be essential for an effective and workable energy assistance program. Namely, any such legislation should:
  - -- provide assistance to users of all major energy sources;
  - -- provide flexibility for states to administer the program;
  - -- incorporate a direct utility payment system or supplier line of credit which would minimize misuse and mismanagement of funds;
  - -- recognize that timely receipt of payments by utilities will reduce administrative costs and billing disruptions;
  - -- provide assistance to eligible renters; and
  - -- limit total program administrative costs to a small percentage of the overall funds.
- To the extent that assistance payments are designed to enable recipients to assume some of their energy costs, A.G.A. supports a requirement that eligible recipients pay the remaining portion of their utility bills not covered by assistance funds. This provides an incentive to conserve energy and minimizes the impact of "uncollectibles" on other paying customers.

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- o A.G.A. supports a provision which would permit termination of service by regulated utility companies in order to safeguard all customers from the added higher rates resulting from subsidizing "uncollectible" accounts. In this regard, A.G.A. is concerned that state moratoria on termination of service could compromise the utility's ability to protect such customers.

- o A.G.A. believes that state agencies and not utilities should determine and certify the eligibility of energy assistance recipients.

- o A.G.A. recommends that the eligibility standard be broad enough to include energy consumers on fixed incomes.

- o A.G.A. emphasizes the importance of including an outreach provision as it is essential to communicate the existence of the program and to insure broader participation.

- o A.G.A. recommends that any heating degree day component of a formula for allotting federal assistance funds should reflect the variations in fuel costs from state to state.

- o A.G.A. believes that any state data collection requirement under a fuel assistance program might be costly and duplicative to the extent that it pertains to information which can be obtained from the state regulatory authorities. Moreover, if only utilities have the data requested, that information may be proprietary in nature and, therefore, not appropriate for disclosure.

General Concerns Of The Gas Industry Regarding Energy Assistance

At present, no energy assistance program or proposal is entirely capable of dealing adequately with the myriad of problems and needs circumscribing energy assistance. A.G.A. believes that any energy assistance program must be designed so that: (1) it can be administered efficiently and without excessive costs; (2) it will achieve the objective of defraying consumer energy costs; and (3) it will encourage energy conservation.

One of A.G.A.'s fundamental concerns is that funding from any permanent assistance program must be made available to all eligible residential energy consumers, i.e., such program should provide

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assistance to users of natural gas, electricity, fuel oil, etc. Further, the allocation of assistance by the states should be based on acceptable eligibility standards which clearly define the need for assistance.

It is equally important that a permanent energy assistance program be administered by state governments under minimal federal guidelines. While establishing basic procedural guidelines uniformly applicable throughout the states, this approach would minimize federal bureaucratic overlay, and afford each state the flexibility to "tailor" the assistance program to meet individual needs in different localities. Further, such program should utilize existing state agencies to implement the plan. In this regard, A.G.A. emphasizes that extensive regulations not be promulgated by HEW or any other federal agency because such regulations might interfere with, delay, or restrict the ability of states to administer the energy assistance program.

With respect to the distribution of energy assistance funds, A.G.A. believes that the system of payments must be in the form of a direct utility payment or supplier line of credit which would: (1) assure that the funds be used to defray consumer energy costs per se; and (2) minimize the possibility of misuse or mismanagement of such funds. Failure to provide these assurances would not only cast doubt on the program's ability to achieve its objective, but could result in a program which only exacerbates the problem of rising costs to consumers. As discussed in detail later, such a result would occur insofar as misused or mismanaged funds fail to offset energy costs and result in a continued high level of "uncollectibles" adversely affecting both energy suppliers and gas customers.

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General Parameters of an Assistance Program

The timeliness of crediting payments to energy suppliers cannot be over-emphasized. Timely receipt would reduce the burden of administrative costs due to the delay of payments and would minimize disruption in bill collection procedures.

A.G.A. strongly supports a provision that eligible households and renters be given equal treatment under a permanent energy assistance program. The mechanics of this provision can be implemented by the state agency charged with administering the program.

In regard to the administrative costs of an assistance program, A.G.A. supports a requirement that states provide the funds, from non-federal sources, necessary to cover these costs. Also, we support the principle that administrative costs be limited to a small percentage of the overall state grant. The requirement that states assume the burden of the administrative costs creates an incentive for efficient management and maximizes the amount of funds ultimately reaching eligible recipients.

In addition, A.G.A. supports the inclusion of an outreach provision in any fuel assistance bill. A state or the state-designated agency should undertake efforts to communicate the existence of the program through broad-based public information systems. Such outreach provisions would help ensure full participation by eligible households in the energy assistance program.

The Dimensions of the "Uncollectibles" Problem

"Uncollectibles" result from a distribution company's inability to collect past due bills from customers. These "uncollectibles"

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present a major problem not only for many gas utilities but for the utilities' customers. Through the ratemaking process, utilities pass on most of the amounts in these "uncollectible" accounts to all customers, further increasing costs which consumers must pay. Insofar as some customers are at present only marginally able to pay their utility bills, such increased rates resulting from the pass-through of "uncollectibles" may render these customers unable to pay their utility bills. This creates more delinquent accounts and further increases the amount of "uncollectibles" which the remaining paying customers, including those receiving assistance subsidies, must absorb.

A.G.A. recently surveyed approximately 100 urban gas distribution companies which served 30 million customers in 1978 or about 65% of the 46 million gas users in the lower 48 states. "Uncollectible" accounts were shown to have increased from $64 million in 1976 to about $98 million in 1978. Based on this survey, an extrapolation to include the entire gas utility industry estimates "uncollectibles" to have increased from $109 million in 1976 to $163 million in 1978. As a percent of residential gas revenues, "uncollectibles" increased from 1.1% in 1976 to 1.3% in 1978. If this trend were to continue, "uncollectibles" will total $200 million in 1979 for the gas utility industry and account for about 1.4% of residential gas revenues. This translates into an ever-increasing burden on the paying gas customers.

A.G.A. recognizes the importance of a provision requiring eligible recipients to pay the difference between the actual cost of energy service and the amount of the energy assistance under the

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program for two reasons. First, such provision would provide an incentive for eligible recipients to conserve energy thereby minimizing overall costs. Second, to the extent that this cost differential is not paid by eligible recipients under the program, all customers are forced to subsidize these customers by paying the higher rates attributable to such "uncollectibles."

Termination of Service Provisions

A.G.A. supports a termination-of-service provision that would permit primary fuel suppliers to terminate service after delinquency in payment, written notice of termination, and an opportunity for the customer to be heard. This would provide utilities a means of protecting paying customers from the added burden of growing "uncollectible" accounts, most of which they must ultimately pay for in the form of higher rates. A.G.A. does not support a termination-of-service provision which would prevent regulated utility companies from terminating service for good cause and after notice to the customer and an opportunity for him to be heard. Such a provision would be detrimental to all utility customers because it would deny the utility the only effective recourse it has to cope with the uncollectible bill problems in a responsible and equitable manner.

Many of A.G.A.'s member distribution companies currently operate budget billing plans and other installment arrangements in an effort to assist customers who experience difficulty in meeting their payments. It is unfortunate that, notwithstanding the many customers who sincerely attempt to pay their utility bills, there are a number of customers who simply refuse to honor their obligations. These customers can take advantage of the existence of state moratoria prohibiting termina-

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tion of service and/or voluntary utility company policies against terminating service during the winter heating months.

In this regard, A.G.A. notes that such state moratoria and the Public Utility Regulatory Policies Act's requirement that states consider for adoption a federal termination-of-service standard based on failure to make bill payments could compromise the effectiveness of such a termination-of-service provision. This would in turn restrict the utility's ability to safeguard all paying customers from higher rates resulting from passing through the costs of "uncollectible" accounts.

Eligibility Standards

A.G.A.submits that a state or a state-designated agency be required to determine and certify the eligibility of recipients under the energy assistance program. The energy supplier should not be required to make these determinations since they more appropriately lie within the function of the state or the administering agency.

Also, A.G.A. emphasizes that any eligibility standard should be broad enough to include energy consumers on fixed incomes. Elderly and senior citizens receiving fixed supplemental income under Titles IV and XVI of the Social Security Act are equally threatened by the prospect of steadily rising energy prices.

Allotment of Federal Energy Assistance Funds to States

Regarding the method for allotting federal assistance to the various states, A.G.A. supports the use of an allotment formula which utilizes the factors of aggregate residential energy expenditures based on the number of eligible households within the state and the number of heating degree days which a state experiences to mete out

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the funds. However, insofar as the factor of heating degree days is utilized, the following must be recognized. Since the cost of the fuel necessary to meet the demands of a heating degree day varies from state to state, it is not accurate to allocate the remaining funds simply on the basis of degree days alone. For example, the cost of meeting the heating demands of 10 degree days in state A may not be the same as the cost of meeting the heating demands of 10 degree days in state B, since heating fuel may be more expensive in one state than in the other. Therefore, the real need of the customer is determined by a consideration of both the number of degree days and the cost of the fuel necessary to meet the heating demands resulting from these degree days.

Generally, A.G.A. agrees that these two factors (the latter modified to reflect the above concern) are important and should be considered in an allotment formula. However, weighting each criteria equally in an allotment formula (an equal amount of the funds allocated according to each factor) may not assure that states receive the amount of assistance funds they actually require. To assure that federal assistance funds are adequate, there should be a reserve supplemental fund which could be used to meet the needs of those states receiving inadequate amounts.

Data Collection

A.G.A. recognizes another potential problem area insofar as any fuel assistance program might require the collection of data from states. To the extent that this information is already available from the respective state regulatory authority, any requirement that a state compile the same data would be duplicative, costly, and

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unduly burdensome. Perhaps a better approach would be to require such regulatory authorities to provide this information. Further, if the data sought is available only from the utility itself, the information may be proprietary in nature, and, therefore, not appropriate for disclosure at all.

Appendix A

Relationship of Energy Assistance with Incremental Pricing

Incremental pricing under the Natural Gas Policy Act will not achieve the intended effect of sheltering residential and other high priority customers from the impact of higher costs of natural gas, but will, in all probability, have the opposite effect. The loss of load balancing benefits associated with maintaining industrial gas customers on the line will only operate to shift the fixed costs of the transmission and distribution system to high priority customers.

Insofar as incremental pricing considers the loss of this industrial load, the increased fixed costs of the transmission and distribution system will be borne by the very class of customers intended to be protected by incremental pricing, i.e., high priority residential customers. Further, all consumers will have to pay higher prices for manufactured goods than otherwise would be the case. However, only residential customers who use gas and are served by an interstate pipeline would receive the alleged benefits from incremental pricing. Other Americans who use electricity, propane, oil or other fuels will receive no protection on their fuel bill and will, in fact, be subsidizing gas users.

Further, insofar as incremental pricing causes industrial fuel switching from natural gas to oil, this will exert strong demand pressure for increased volumes of No. 2 fuel oil for industrial customers. This would only exacerbate the current shortages of No 2 fuel oil and the dramatic price increases witnessed since December, 1978. Thus, major fuel switching by industry to No. 2 fuel oil because of incremental pricing will hurt residential customers.

Thus, A.G.A. strongly believes that the incremental pricing provisions of the NGPA should be repealed since this is not an effective alternative to alleviate the problems of increasing heating bills for the American public. Energy assistance programs administered through state designated agencies can help reduce the impact of heating bills for all residential customers without the associated administrative and economic problems involved with incremental pricing under the NGPA. It is this type of Federal approach, working with the states, that holds the most promise for providing relief for residential customers from increased costs of energy sources.

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STATEMENT OF JOSEPH LANGER, COORDINATING COUNCIL ON JEWISH POVERTY, METROPOLITAN NEW YORK
(Before Senate Committee on Labor and Human Resources, Sept. 26, 1979)

Since 1973, the cost of energy has risen drastically. OPEC price increases, continuing double-digit inflation and oil decontrol have made all Americans pay an increasing portion of their budget for the purchase of energy to meet their basic household needs. The future looks dim indeed. Costs will continue to climb at excessive rates.

While the entire population has felt the impact of increasing energy costs, the burden has been experienced extremely by the poor, the elderly, the lower middle class and individuals on fixed incomes. It is estimated that the average low income family will be spending more than 25% of their income on household fuel and utilities this year. In the Northeast, as winter arrives, the price of home heating oil will have risen as much as 100% from last year. This situation will force many low income households to pay more than 40% of their income for the purpose of heating their homes. The average homeowner in New York State will have to shell out an extra $500.00 in the period of only a few months. The rentor or co-op owner will receive an equivalent pass-along. The large oil firms have, inexplicably tightened their credit terms recently and many homeowners and landlords will be forced to pay for fuel in advance of delivery.

The poor will be forced into an extreme dilemma during this winter trying to chose between heating their homes and feeding their families.

II

The experiences of Federal energy assistance programs in 1977, 1978 and 1979 have been bleak.

The General Accounting Office in its audit "Meeting Winter Heating Bills for Needy Families: How

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Should the Federal Program Work" reports that the distribution of funds were not managed well and there was no assurance that families in the greatest need were served by these energy assistance programs.

In the first year program, funds were distributed to States based on the severity of winter, the number of poverty households, and the regional fuel cost.

State plans for identifying priorities and methods of payment were not effectively reviewed and approved within program time constraints. Federal criteria was unclear, with the result that allocations to local projects, towns and cities, varied among States and within States. Eight States designated no specific priority sytem. Other States adopted a variety of different priorities including services to the elderly only, all eligible recipients on a first come first serve basis, eligible recipients with power disconnects or fuel bills only, and all eligible recipients with specific exclusion and limitations on payments.

There was no provision made for heaters, blankets and other energy costs by many projects. Nor in the case of the elderly, who are known to immediately pay their bills and literally go without food, was there any provision made to look at paid bills, not just utility disconnect notices. No allowances were made for rentors, the bulk of the poor in major urban centers as New York City, to meet fuel costs incubated as pass-alongs by landlords.

As the GAO report concluded, the Community Services Administration could not assure that the local programs were alleviating crisis situations. A great percentage of the Federal appropriation was unspent. During the first year of the program New York City did not spend 1 cent of its funds while Chicago spent $7 million dollars.

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III

Unfortunately the proposed Energy Assistance Program and legislation, circulated late this summer by the Administration, perpetuates and incorporates many of the failures of past Federal programs.

-----States have again been designated as the agency responsible for administration of the program. They are also assigned the task of developing a plan which describes how the program will be implemented within the state and the priorities of those to be serviced. Previous experience teaches us that the states have not completed this delegated task successfully and are not the sensitive vehicles to address the delivery of services to localized poor. We suggest that a more appropriate methodology in assuring that the poor receive energy assistance would be to utilize municipalities as the administrative vehicle which is more in touch with the needs of the local community.

-----Under the Administration's proposed plan, the bulk of the appropriation will go to SSI recipients, AFDC recipients and food stamp recipients. Assistance to the elderly and poor outside of these categories is unclear. The proposed plan of the State Department of Social Services compiling lists of the "other" poor is unrealistic. Nearly 75% of the elderly, for example, who are poor do not receive SSI. There are no provisions to insure that they receive benefits. This plan makes no provision whatsoever for OUTREACH to the isolated, undercovered, poor.

-----The Administration's proposal utilizing poverty levels as eligibility criteria eliminates the bulk of energy hardship cases from receiving benefits. The lower living standard of the Bureau of Labor Statistics is a more realistic measurement device that is geared to individual communities. The BLS measure would provide a much broader eligibility target and much needed assistance to those on fixed incomes and the lower income working poor.

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-----The Administration's plan is geared totally to the homeowner and there are no provisions for the rentor, who is effected by the energy crisis through higher rental costs as a result of pass alongs by landlords. The poor in most urban areas do not own homes but live in apartments. They are paying higher rental costs yet receive no relief. They have to go without the necessities of life but are not considered in this proposed program just as they were systematically eliminated in other programs.

-----To utilize utility shut off notices as the sole criteria for receiving assistance is circumventing the entire spirit of energy assistance programs. In the case of the poor, and especially the elderly, we know they will deprive themselves of the basics including food in order to meet their utility obligations. Provisions must also be made for space heaters, insulation, blankets, and warm clothing to assist the poor as a result of temperature cutbacks, in staying warm during the winter months.

S.1724 sponsored by Senators Williams and Javits provides much more realistic approach to assist households which cannot meet the high cost of fuel and other energy related costs. It provides immediate assistance to the poor that is so critical for families this winter.

We suggest that provisions for the many urban poor who are renting apartments be incorporated into the bill. Provisions must be made for rentors with low incomes to meet pass along energy costs.

We commend the Outreach activities stipulated in the bill especially those involving Community Action Agencies, Area Agencies on Aging and other appropriate Agencies in outreach and certification activities.

The experience of the Metropolitan New York Coordinating Council on Jewish Poverty and its affiliated agencies has

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proven that local community based agencies have an appropriate handle and contact with the isolated poor and are able to deliver services on an expeditious basis eliminating red tape and bureaucracy and provide the most services for the program dollar.

We urge that provisions in S-1724 be made for other than fuel costs including clothes, space heaters and localized insulation to insure that the poor stay warm during the winter months

IV

The Metropolitan New York Coordinating Council on Jewish Poverty, founded a decade ago, as a coordinating body representing 46 major Jewish organizations, social service agencies and Jewish community councils. The Coordinating Council is the united voice of the Jewish community in serving the needs of the Jewish poor and elderly within their neighborhoods. It is the primary vehicle for assessing local needs, bringing resources to neighborhoods, and acting as the communal advocate and ombudsman for ameliorating the plight of the Jewish poor in the neighborhoodthey live in.

The Coordinating Council urges that Congress pass appropriate legislation to assist the poor with their increased energy costs as quickly as possible so it will be administratively in place before the winter. We respectfully suggest that our recommendation be incorporated into the pending legislation.

We pray that the prophesy of Congressman Fredrick Richmond, quoted in the New York Times, that we will have to see someone die before Congress acts, is false and that this proposed legislation is reported out by the Committee expediously.

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Phone: 703/525-5135

September 26, 1979

The Honorable Frederick W. Richmond, Chairman
Committee on Agriculture
Domestic Marketing, Consumer Relations, and
Nutrition Subcommittee
U. S. House of Representatives
Washington, D.C. 20515

Dear Mr. Richmond:

The National LP-Gas Association (NLPGA) offers the following comments on H.R. 5039, the Fuel Stamp Act of 1979, to assist participants in the Food Stamp Program to pay the cost of fuel consumed for residential heating. We ask that our comments be made a part of and incorporated into the record of the hearing held by your Subcommittee on September 19 and 20 on this legislation.

The NLPGA is the national trade association for the LP-gas industry with approximately 4,000 members, including 45 affiliated states. The members of NLPGA are predominately resellers and retailers of LP-gas (principally propane) and its equipment and appliances to over 18 million installations throughout the United States. Approximately 10 million installations are located on farms and in rural small towns, or fringe urban area residences, and include many who would be recipients of assistance under the programs in question.

Before addressing the specific legislation, we wish to offer the following general observations and concerns that we, as an association of LP-gas dealers, have when considering any proposal for low income energy assistance.

1. Any program of low income energy assistance should provide aid equitably to all energy consumers, regardless of individual fuel choices. Thus, the users of propane should be eligible for aid to the same extent as would be users of electricity, natural gas, or fuel oil. Propane is a gaseous fuel used in the same manner as natural gas for heating, cooking, and clothes drying, but is stored and shipped under pressure as a liquid.

2. The criteria for assistance under any program of aid should not be grounded solely, or even substantially, on delinquency in payment of fuel bills. Such was the case in many instances with the administration of the Crisis Intervention Program under the Community Services Administration, notwithstanding an amendment added by Senator Richard S. Schweicker (R-Pa) to that program's authorization legislation in 1978 which stated: "Eligibility for any of the programs authorized under this section shall not be based solely on delinquency in payment of fuel bills."

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Such criteria frequently causes previous prompt payers to become 90 days or more delinquent in payment of their fuel bills while awaiting federal funds. The result is to deny benefits to those who continue to pay promptly; to turn good customers into delinquent payers; and, to restrict the cash flow of the fuel dealer causing him serious injury. This is particularly true for most LP-gas dealers who are usually small businessmen. Frequently, they are family run businesses, the kind referred to as "mom and pop" retailers. They simply cannot afford to carry a bad debt for long periods of time.

We were heartened to find that the Community Services Administration (CSA) in its implementing regulations for the Fiscal 1980 Energy Crisis Assistance Program regulations published in the September 4 1979 Federal Register, eliminated references to delinquency as a criteria for assistance.

Turning now to H.R. 5039 as introduced by Mr. Sabo on July 31, 1979, we believe this particular proposal is one of the least complicated and, perhaps, the most workable of the various programs designed to provide assistance for those needing help in paying their fuel bills. Apart from possible questions regarding jurisdictional authority within the Agriculture Department, we note that since aid would be provided anyone who receives food stamps, delinquency in payment would not be a criteria. We do have two general concerns, however:

1. The bill only provides assistance for the months of December through March. There are parts of the country where the winter heating season begins much earlier and can extend longer into spring. We might suggest that eligibility to receive fuel stamps in any particular month might be better predicated on heating degree days or some other yardstick rather than a flat December through March. In this manner distribution of assistance could be more appropriately tailored to the individual locale and climatic conditions.

2. Another question concerns Section 12 on violations and enforcement. In particular, we refer to the application of criminal penalties to fuel dealers who either refuse to accept fuel stamps as payment, or refuse to supply fuel to any person who may make payment by means of fuel stamps. Although we applaud the thrust of this bill and the need for assistance, we do not believe that making participation by fuel vendors mandatory through the use of criminal sanctions is either necessary nor desirable as a national policy. As indicated earlier hereinabove, most LP-gas dealers are small businessmen who operate on very narrow margins. In those instances where a dealer's margin is so small that he cannot afford the extra administrative burden and costs associated with acceptance of fuel stamps, these dealers should not be required to accept them. They should not be placed in a position of having to choose between the continued viability of their business or possible criminal penalties.

We hope the above comments are helpful as the Subcommittee reviews this and similar legislative proposals. If we can provide any additional information or assistance, please do not hesitate to contact us.

Respectfully submitted,

Daniel N. Myers
Director of Legislative Services

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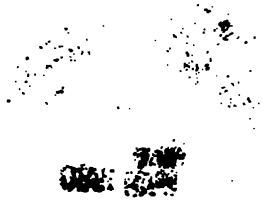

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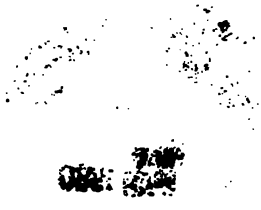

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